

CHAPTER 9

STATUTORY AUTHORITY FOR FUNDS

Chapter 298A establishes the fund structure which shall be used by school districts and AEAs commencing with the school budget year which begins on July 1, 1995 **(298A.1)**. A school corporation may establish other funds in accordance with generally accepted accounting principles and may certify other taxes to be levied for the funds as provided by state law. The status of each fund must be included in the annual report. The treasurer shall keep a separate account for each fund, and shall not pay an order that fails to state the fund upon which it is drawn and the specific use to which it is to be applied **(298A.14)**.

Tax levies or funds that are required by law to be expended only for the specific items listed in statute shall be accounted for in a similar way to categorical funding. Each fund is mutually exclusive and completely independent of any other fund. No fund shall be used as a clearing account for another fund, and no fund may retire the debt of another fund unless specifically authorized in statute **(IAC 281—98.60)**. More information on accounting for categorical funding is found in Iowa Administrative Code 281 chapter 98 and in a separate chapter of this manual.

Funds and Summary Accounts

FUND CODE

FUND TITLE

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Separation of Funds

A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated in order to carry on specific activities [NCGA Statement 1].

Each fund is mutually exclusive and completely independent of any other fund. Therefore, no fund shall be used as a clearing account for another fund, no fund may retire the debt of another fund unless specifically authorized in Code, and transfers between funds shall be accomplished only as authorized in statute (IAC 281—98.60).

Funds may not be used for any other purpose than that for which voted except by a vote of the electors (1938 Op. Att’y Gen. 167 (#37-4-14)).

The status of each fund must be included in the annual report. The treasurer shall keep a separate account for each fund, and shall not pay an order that fails to state the fund upon which it is drawn and the specific use to which it is to be applied (298A.14).

It is the duty of the board secretary to keep an accurate, separate account of each fund with the treasurer, charge the treasurer with all warrants and drafts drawn in the treasurer's favor, and credit the treasurer with all orders drawn on each fund **(291.6(3), 291.8, 291.12)**.

The district or AEA is not required by law to keep separate bank accounts because of the requirement for separateness of the funds **(OAG #65-10-14)**. The law does not specify separate bank accounts, but there may be practical reasons for doing so **(1 D.P.I. Dec. Rul. 65)**. However, if moneys are combined for investment purposes, the interest earned shall be credited to each appropriate fund.

School districts and AEAs operate under Dillon's Rule. Each fund authorized to be established in the school district and AEA is listed in Code along with the allowed revenues and expenditures for each fund. Each fund is allowed to be used for the purposes authorized in Code and no other. Each fund is mutually exclusive and independent of any other fund. If a revenue or expenditure is specifically authorized for one fund, it is not appropriate to any other fund, unless the Code also specifically authorizes it to that other fund. Expenditures which are expressly authorized to more than one fund are very limited and include the following:

1. School buses may be purchased from fund available [funds on-hand] in the general fund or in the physical plant and equipment levy fund **(285.10(7)"a", 298.3(1)"i")**.
2. School buses may be purchased using a loan agreement in the general fund **(279.48)** or using a loan agreement or lease purchase agreement in the physical plant and equipment levy fund **(285.10(7)"b", 298.3(1)"c")**.
3. Single units of equipment or technology costing *more than* \$500 *each* may be purchased from the general fund **(279.28)** or from the physical plant and equipment levy fund **(298.3(1)"c")**. Units costing less than \$500 may be purchased from the general fund but not the physical plant and equipment levy fund.
4. Asbestos projects may be paid from funds on-hand in the general fund or in the physical plant and equipment levy fund **(279.52)**.
5. Expenditures for removal, management, or abatement of environmental hazards due to a state or federal requirement may come from the general fund if the SBRC grants modified allowable growth **(257.31(6))**, otherwise they are expended from the physical plant and equipment levy fund, or a capital projects fund, as appropriate.
6. The SBRC may authorize a district to spend a reasonable and specified amount from its unexpended fund balance (but not modified allowable growth) to complete furnishing, equipping, and contributing to the construction of a new building or structure for which the voters of the district have approved a [general obligation] bond issue as provided by law or the tax levy provided in section 298.2 (VPPEL); or the costs associated with the demolition of an unused school building, or the conversion of an unused school building for community use, in a school district involved in a dissolution or reorganization under chapter 275, if the costs are incurred within 3 years of the dissolution or reorganization; or costs associated with the demolition or repair of a building or structure in a school district if such costs are necessitated by, and incurred within 2 years of, a disaster as defined in section 29C.2(1). Any part of the amount not actually spent for the authorized purpose shall revert to its former status as part of the unexpended cash balance **(257.31(7))**. If authority is not granted by the SBRC to use the general fund, the expenditures must come from the capital projects fund or physical plant and equipment levy fund, as appropriate.
7. Facility construction is appropriate only to the capital project funds: the local option/statewide sales and services tax for school infrastructure capital projects fund **(423E, 423F)**, bond issue capital project funds **(296.1, 298.21)**, and the physical plant and equipment levy **(298.3(1)"b")**.
8. Bond principal repayment is accounted for in the Debt Service Fund, but resources to pay principal on General Obligation Bonds can come from the debt service fund tax levy for that purpose **(298A.10)**, or physical plant and equipment levy **(298.3(1)"d")**, or the Local Option/Statewide Sales and Services Tax for School Infrastructure revenues **(423F.1, 423F.3(6), 76.4)**.
9. Local Option/Statewide Sales and Services Tax for School Infrastructure revenues can be used for the same purposes for which PPEL or PERL may be used if the revenue purpose statement allows **(423F.3(6); 423E.1(3) Code 2007)**.
10. Recreational equipment may be purchased for the district from PPEL **(298.3(1)"k")** or for the district's community playgrounds program from PERL **(300.1)**.

Interfund Transactions

Generally, moneys may not be transferred between funds, other than authorized by 298A.9 and 298A.10, unless the transfer is a residual equity transfer from a fund for which the purpose of the fund has ended **(24.21)**. All allowable transfers or loans require board action, some require a vote of the electorate **(278.1"e")**, some require authorization from the state appeal board **(24.22)** and some require authorization from the school budget review committee **(257.31(6), 24.6(2)"b")**.

No fund shall be used as a clearing account for another fund, and no fund may retire the debt of another fund unless specifically authorized in statute, and transfers between funds shall be accomplished only as authorized in statute (**IAC 281—98.60**).

However, bona fide loans authorized by the board, executed by a note at the going rate of interest, and repaid by fiscal year end would not be an audit exception (**Letter, Office of the Auditor of State, September 9, 1980**). All of the following applies to interfund loans:

1. All loans between funds within a fiscal year must be accomplished through official board action and may not be accomplished until the board by resolution authorizes the loan. An interfund loan must not constitute an amendment to the budgeted revenues or expenditures for the fiscal year.
2. The resolution must specify the funds from which and to which the transfer will be made. A note is not necessary if the resolution specifies the terms of repayment including the payment of interest.
3. Interest must be paid from the borrowing fund on the unpaid balance at the rate in effect at the time of the loan as established by rule pursuant to Iowa Code section 74A.6, subsection 2.
4. The loan must be repaid before October 1 of the fiscal year following the fiscal year within which the loan occurred. In the event repayment cannot be made by that time, the school corporation must proceed under the provisions of Iowa Code chapter 74 to issue anticipatory warrants or seek approval of the voters pursuant to Iowa Code section 278.1(5) for transfer of surplus funds from the debt service, physical plant and equipment levy, capital projects, or public education and recreation levy funds to the general fund, or, for other transfers, seek approval from the state appeal board pursuant to Iowa Code section 24.22. Interfund loans within a fiscal year do not require state appeal board approval so long as they are repaid by October 1 of the following fiscal year. (**25 D.E. Dec. Ord. 183**).

With the implementation of GAAP, the statutory term "schoolhouse fund" is no longer used. When older OAGs refer to the schoolhouse fund those would still be applicable and refer to the following current funds:

- Physical Plant and Equipment Levy (PPEL),
- Capital Projects,
- Debt Service,
- 67.5 Cent Schoolhouse Levy, and
- Public Education and Recreation Levy (PERL).

Authorized by the Board

Money inadvertently placed in the general fund may be withdrawn and put to the special purposes for which raised (**1936 Op. Att'y Gen. 38 (#35-1-26)**).

Transfers from the general fund to the schoolhouse fund may not be authorized either by vote of the school board or the electorate (**OAG # 80-11-26**).

When a new district is organized the funds [other than schoolhouse funds] cannot be placed in the schoolhouse fund and used for building purposes (**OAG #55-7-26**).

Subject to the provisions of any law relating to municipalities [municipalities include school districts], when the necessity for maintaining any fund has ceased to exist and a balance remains in the fund, the board of directors shall so declare by resolution, and upon such declaration, such balance shall be transferred to the fund or funds designated by the board, unless other provisions have been made in creating such fund in which the balance remains (**24.21**). This transfer is called a residual equity transfer.

"Provisions of law" referenced in section 24.21 does not permit the board, acting alone, to transfer funds either direction between the general fund and the debt service, PPEL, capital projects, or PERL funds. Transfers from those funds to the general fund can only be accomplished by a vote of the electorate. Transfers from the general fund to those funds are not permitted by either a vote of the people or board action. Boards may transfer inactive funds, but boards cannot transfer from active funds without the permission of the state appeal board, except as authorized by 298A.9 and 298A.10. There are two exceptions to the rules in the above paragraph with the implementation of GAAP:

1. *Capital Projects*. Any governmental fund authorized to be used to construct or acquire capital facilities, must transfer those funds to a capital projects fund to be accounted for there. Surplus remaining after the completion of the capital project may be returned to the fund from which the money originated (**298A.9**).
2. *Debt Service*. Any governmental fund having authorized indebtedness must transfer those funds to the debt service fund at the time that interest and principal payments are due. Retirement of bonded indebtedness or other authorized indebtedness shall be accounted for in the debt service fund (**298A.10**). Payments for debt retirement on loans may only come from the fund in which the original loan proceeds were deposited. The board of directors

shall expend the amount of the principal and interest due each year to maturity from the same fund into which the loan proceeds were deposited **(279.53)**.

Authorized by the Voters

Transfers from the general fund to the schoolhouse fund may not be authorized either by vote of the school board or the electorate **(OAG # 80-11-26)**.

Temporary transfers from the schoolhouse fund to the general fund cannot be made unless authorized by electors for certain limited purposes **(OAG #64-2-5)**.

The electorate, by vote, may direct the board of directors to transfer any surplus funds in the debt service fund, PPEL fund, capital projects funds, or PERL fund to the general fund [but not the reverse] **(278.1”e”)**.

Authorized by the State Appeal Board

Upon the approval of the state appeal board, the board of directors may make temporary or permanent transfers from one fund to another. The board shall provide that money temporarily transferred shall be returned to the fund from which it was transferred within the time and upon the conditions the state appeals board determines. However, it is not necessary to return to the emergency fund, or to any fund no longer required, any money transferred from it to any other fund **(24.22)**.

Iowa Code section 24.22 referring to authority to transfer money between funds upon the approval of the state appeal board does not apply to transfers from the general fund to the schoolhouse fund **(OAG #27-4-22)**.

Transfers may not be made from the general fund to the schoolhouse fund nor may the general fund be used for sites or improvements **(1938 Op. Att’y Gen. 210 (#37-5-7))**.

A school district board of directors may not transfer funds from the general fund to the schoolhouse fund for the purpose of constructing a hot lunch facility even though there is sufficient surplus in the general fund to defray the cost of such construction **(OAG #79-11-20)**.

Where a simple transfer of funds is requested which would not increase the budget appropriation, the transfer may be accomplished if it is a fund that may be transferred, and if approved by the state appeal board as required by 24.22, without the necessity of publication of notice and a public hearing as required in 24.9 **(OAG #66-8-26)**.

Authorized by the School Budget Review Committee

The SBRC may authorize a district to spend a reasonable and specified amount from its unexpended fund balance in the general fund for either of the following purposes:

- 1) Furnishing, equipping, and contributing to the construction of a new building or structure for which the voters of the district have approved a [general obligation] bond issue as provided by law or the PPEL tax levy.
- 2) The costs associated with the demolition of an unused school building, or the conversion of an unused school building for community use, in a school district involved in a dissolution or reorganization under chapter 275, if the costs are incurred within 3 years of the dissolution or reorganization.
- 3) The costs associated with the demolition or repair of a building or structure in a school district if such costs are necessitated by, and incurred within two years of, a disaster as defined in section 29C.2, subsection 1.

Other expenditures, including but not limited to expenditures for salaries or recurring costs, are not authorized under this subsection. Expenditures authorized under this subsection shall not be included in allowable growth or district cost, and the portion of the unexpended fund balance which is authorized to be spent shall be regarded as if it were miscellaneous income. Any part of the amount not actually spent for the authorized purpose shall revert to its former status as part of the unexpended fund balance **(257.31(7))**.

To implement the above statute, the district must transfer (operating transfer) the authorized amount from the general fund to the appropriate capital projects fund, which will reduce the unspent authorized budget balance. Any part of the amount not actually spent for the authorized purposes at the end of the project is returned to the general fund by operating transfer, which will increase the unspent authorized budget balance.

The school corporation may transfer money from the emergency fund to any other fund of the school corporation for the purpose of meeting deficiencies in a fund arising within two years of a disaster as defined in section 29C.2, subsection 1. However, a transfer shall not be made without the written approval of the school budget review committee **(24.6(2)”b”)**.

Government Wide Statement Summaries

01 Government-wide Statements—Governmental Activities

02 Government-wide Statements—Business-Type Activities

Funds 01 and 02 are available at the discretion of the district/AEA and its auditor to accumulate adjusting transactions to create the government-wide statements required by GASB Statement 34. No other funds in the district or AEA may be used for this purpose.

Governmental Long-Term Summary Accounts

The summary accounts described in this section differ from the funds in that they provide no source of resources for current and future outlays. The purpose of these account groupings is to disclose additional financial accounting information not provided by the fund records of all funds except proprietary funds and fiduciary funds.

Governmental Long-Term Assets Summary Account (08)

The Governmental Long-Term Assets Summary Account is a self-balanced group of accounts used to account for fixed assets of governmental funds. Record the cost of all property, plant and equipment other than those accounted for in the proprietary funds or fiduciary funds. General fixed assets could include sites, site improvements, buildings and building improvements, machinery and equipment. Assets are recorded at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair value at the time received.

The amounts recorded for accounting and reporting general fixed assets are the initial or historical cost and are not to be confused with "appraised" values or any other reductions computed under any amortization or depreciation schedule.

Governmental Long-Term Liabilities/Debt Summary Account (09)

The Governmental Long-Term Liabilities/Debt Summary Account is a self-balanced group of accounts used to account for long-term liabilities and debt of governmental funds. Record the principal amount of all long-term liabilities, excluding those of the proprietary funds or fiduciary funds. The long-term liabilities could include general obligation bonds, capitalized lease obligations, legal judgments, special assessments payable to cities or other governmental units, unfunded pension liabilities, and notes and warrants which are not due within one year.

Funds

General Fund (10)

Purpose and Use

This fund must be established by all school districts. All moneys received by a school corporation from taxes and other sources must be accounted for in the general fund, except moneys required by law to be accounted for in another fund **(298A.2)**.

All moneys received by a school corporation from taxes and other sources shall be accounted for in the general fund, except moneys required by law to be accounted for in another fund. If another fund specifically lists an expenditure to that other fund, it is assumed not to be appropriate to the general fund unless statute expressly states that it is an appropriate general fund expenditure. Each school district and each area education agency shall have only one general fund **(IAC 281—98.61)**.

Types of Expenditures

Expenditures include all general operating expenses of the school such as salaries, employee benefits, purchased services, supplies, and expenditures for instructional equipment.

Expenditures may include the purchase of school buses from funds available and on-hand in the General Fund **(285.10(7)"a")**.

Boards of directors in all public school districts may establish and maintain dental clinics for children and offer courses of instruction on mouth hygiene. The boards may employ such legally qualified dentists and dental hygienists as may be necessary to accomplish the purpose of this section. The cost of the dental clinic shall be paid from the general fund **(280.7)**.

The AEA board or school board of any school district may employ public health nurses at periods each year and in numbers as deemed advisable. The council of any city, or the school board of any school district, or any of them acting in cooperation, may contract with any nonprofit nurses' association for public health nursing service. The compensation and expenses shall be paid out of the general fund of the political subdivision employing the nurses **(143.1)**.

In order that property tax funds could be used to pay for any part of the school lunch program an express statutory authority could be required for such use **(OAG #65-6-30)**.

The board of directors may provide and pay out of the general fund to insure school property a sum as necessary, and may purchase dictionaries, library books, including books for the purpose of teaching vocal music, maps, charts, and apparatus [equipment] for the use of the schools as deemed necessary by the board of directors for each school building under its charge; and may furnish schoolbooks to indigent children when they are likely to be deprived of the proper benefits of the school unless so aided **(279.28)**.

The premium costs of the liability insurance, the costs of a self-insurance program, the costs of a local government risk pool, and the amounts payable under the insurance agreements may be paid out of the general fund. However, for school districts, the costs shall be included in the district management levy if the district has certified a district management levy. If the district has not certified a district management levy, the cost shall be paid from the general fund **(670.7(1))**.

All the books and other supplies purchased by the board to be loaned, rented, or sold at cost to students shall be paid for out of the general fund **(301.4)**.

The board of directors of each local public school district shall provide the safety eye-protective devices required by Code. Such devices may be paid for from the general fund, but the board may require students and teachers to pay for the safety devices and shall make them available to students and teachers at no more than the actual cost to the district **(280.10)**.

The board of directors of each local public school district shall provide the safety ear-protective devices required by Code. Such devices may be paid for from the general fund, but the board may require students and teachers to pay for the safety devices and shall make them available to students and teachers at no more than the actual cost to the district **(280.11(3))**.

A school district may not use the general fund to account for long-term indebtedness unless specifically allowed by law. Specific authorization is given for loans up to 5 years for equipment purchases **(279.48)**, 3-year federal loans for asbestos **(279.52)**, and loans for energy conservation **(473.20(1)"b")**. The proceeds of loans issued to school districts pursuant to section 279.48, 279.52, or 473.20 shall be deposited into either the general fund or the physical plant and equipment levy fund. The board of directors shall expend the amount of the principal and interest due each year to maturity from the same fund into which the loan proceeds were deposited **(279.53)**. A school district shall not use the general fund to repay long-term indebtedness for which the original proceeds were not previously recorded as revenues into the general fund. In order to retire long-term indebtedness originally deposited into the general fund, the district or AEA will transfer the amount due to the debt service fund in an operating transfer. The actual payment of principal and interest shall be accounted for in the debt service fund **(298A.10)**.

The board of directors of a school corporation may purchase equipment, and may negotiate and enter into a loan agreement and issue a note to pay for the equipment from the general fund subject to the following terms and procedures:

- a. The note must mature within 5 years, or the useful life of the equipment, whichever is less.
- b. The note may bear interest at a rate to be determined by the board in the manner provided in Code. Chapter 75 is not applicable.
- c. The board shall provide for the form of the agreement and note.
- d. Principal and interest shall be transferred when due from the fund where the original proceeds were recorded as revenues to the debt service fund. The payment of principal and interest is made each year from the debt

service fund from money transferred to the debt service fund from the originating fund for up to 5 years **(279.48)**.

This same authority to purchase equipment is extended to AEAs **(273.3(20))**.

Money in the debt service fund from other sources may not be used to repay the debt. The fund that repays the indebtedness must be the same fund that recorded the original proceeds as revenues **(279.53, IAC 281—98.60)**.

The board of directors may pay the actual cost of an asbestos project and repayment of a federal asbestos loan program from the general fund or from the PPEL fund. The loan will be repaid over a 3-year period. Cost of an asbestos project includes the costs of inspection and re-inspection, sampling, analysis, assessment, response actions, operations and maintenance, training, periodic surveillance, developing of management plans and recordkeeping requirements relating to the presence of asbestos in school buildings of the district and its removal or encapsulation **(279.52)**. The fund that repays the indebtedness must be the same fund that recorded the original proceeds as revenues **(279.53, IAC 281—98.60)**.

AEAs and school districts may enter into financing arrangements with the Office of Energy Independence or its duly authorized agents or representatives obligating the school district or AEA to make payments on the energy loans beyond the current budget year. Chapter 75 shall not be applicable. AEAs shall repay the loans from any moneys available to them [in their general fund]. School districts shall repay the loans from moneys in either their general fund or physical plant and equipment fund. Principal and interest shall be transferred when due from the fund where the original proceeds were recorded as revenues to the debt service fund. The payment of principal and interest is made each year from the debt service fund from money transferred to the debt service fund from the originating fund. Money in the debt service fund from other sources may not be used to repay the debt **(473.20, 298A.10)**. The fund that repays the indebtedness must be the same fund that recorded the original proceeds as revenues **(279.53, IAC 281—98.60)**.

The board of directors of a school district may take action to adopt a resolution to establish, and authorize expenditures for the operational support of, an entity or organization for the sole benefit of the school district and its students that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code. The entity or organization shall reimburse the school district for expenditures made by the school district on behalf of the entity or organization **(279.62)**.

The board may, when necessary, rent a room and employ a teacher, where there are ten children for whose accommodation there is no schoolhouse **(297.12)**. This section does not apply to renting or leasing of facilities.

Bonds and premiums for bonds for school corporation employees who have custody of funds belonging to the corporation or funds derived from extracurricular activities and other sources in the conduct of their duties shall be paid from the general fund **(279.8)**.

All expenses related to changes in boundaries, reorganization, or dissolution shall be assessed to the affected districts and the respective boards to which such expenses are certified shall audit and order the same paid from the general fund **(275.26)**.

The cost of publishing the notices and estimates required by chapter 24 [budgets], and the actual and necessary expenses of preparing the budget shall be paid out of the general fund **(24.16)**.

The expenses of engraving and printing school bonds may be paid out of the general fund **(298.22)**.

Money inadvertently placed in the general fund may be withdrawn and put to the special purposes for which raised **(1936 Op. Att'y Gen 38 (#35-1-26))**.

When a new district is organized the funds cannot be placed in the schoolhouse fund and used for building purposes **(OAG #55-7-26)**.

Transfers from the general fund to the schoolhouse fund may not be authorized either by vote of the school board or the electorate **(OAG # 80-11-26)**.

Any governmental fund authorized to be used to construct or acquire capital facilities, must transfer those funds to a capital projects fund to be accounted for there. Surplus remaining after the completion of the capital project may be returned to the fund from which the money originated **(298A.9)**. There are only five situations where capital projects money could have originated from the general fund:

- asbestos projects funded with a federal asbestos loan,

- energy conservation projects funded with an energy loan,
- SBRC-authorized removal of environmental hazards due to a state or federal requirement,
- SBRC-authorized completion of construction of facilities authorized by the voters through a bond issue or the voter-approved PPEL, or
- SBRC-authorized demolition or conversion for community use of an unused school building if the costs are incurred within 3 years of the dissolution or reorganization.
- SBRC-authorized demolition or repair of a building or structure in a school district if such costs are necessitated by, and incurred within 2 years of, a disaster as defined in section 29C.2, subsection 1.

In the case of SBRC-authorized transfers for completion of construction, or demolition or conversion of an unused school building, any excess remaining after the completion of the project shall be returned to the general fund **(257.31(7)“b”)**.

Temporary transfers from the schoolhouse fund to the general fund cannot be made unless authorized by electors for certain limited purposes **(OAG #64-2-5)**.

The electorate, by vote, may direct the board of directors to transfer any surplus funds in the debt service fund, PPEL fund, capital projects funds, or PERL fund to the general fund [but not the reverse] **(278.1“e”)**.

Iowa Code section 24.22 referring to authority to transfer money between funds upon the approval of the state appeals board does not apply to transfers from the general fund to the schoolhouse fund **(OAG #27-4-22)**.

Transfers may not be made from the general fund to the schoolhouse fund nor may the general fund be used for sites or improvements **(1938 Op. Att’y Gen. 210 (#37-5-7))**. Subsequent legislation has allowed certain transfers specified in Code upon the approval of the SBRC.

A school district may not use proceeds from the general fund to purchase or construct buildings or land or for capital improvements to real property except under special circumstances authorized by the SBRC.

A school district board of directors may not transfer funds from the general fund to the schoolhouse fund for the purpose of constructing a hot lunch facility even though there is sufficient surplus in the general fund to defray the cost of such construction **(OAG #79-11-20)**.

The costs of special education instructional programs include the costs of purchase of transportation equipment to meet the special needs of children requiring special education with the approval of the director of the Department of Education **(256B.9(7))**. These expenditures would be general fund costs.

Funds generated for special education instructional programs under chapter 256B and chapter 257 shall not be expended for modifications of school buildings to make them accessible to children requiring special education **(256B.9(9))**. The costs of these modifications would be expended from appropriate capital project funds.

Any compensation for use of a schoolhouse and schoolhouse grounds shall be paid into the general fund and be expended in the upkeep and [minor] repair of, and in purchasing supplies for, that school property **(297.10)**.

The AEA board is authorized to receive and expend money for providing programs and services as provided in sections 273.1 to 273.9, and chapters 256B and 257. All costs incurred in providing the programs and services, including administrative costs, shall be paid from funds received pursuant to sections 273.1 to 273.9 and chapters 256B and 257 **(273.3(2))**.

The AEA board is authorized to pay, out of funds available to the board reasonable annual dues to an Iowa association of school boards. Membership shall be limited to those duly elected members of the AEA board **(273.3(13))**.

The AEA board is authorized to establish and pay all or any part of the cost of group health insurance plans, nonprofit group medical service plans and group life insurance plans adopted by the board for the benefit of employees of the AEA, from funds available to the board **(273.3(15))**.

Appropriate expenditures in the general fund include, but are not limited to, the following:

- Providing day-to-day operations to the district or area education agency, such as salaries, employee benefits, purchased services, supplies, and expenditures for instructional equipment.
- Purchasing school buses from unobligated funds on hand.
- Establishing and maintaining dental clinics for children and offering courses of instruction on oral hygiene.
- Employing public health nurses.
- Funding insurance agreements if the district has not certified a district management levy.

- f. Purchasing books and other supplies to be loaned, rented, or sold at cost to students.
- g. Purchasing safety eye-protective devices and safety ear-protective devices.
- h. Purchasing bonds and premiums for bonds for employees who have custody of funds belonging to the school district or area education agency or funds derived from extracurricular activities and other sources in the conduct of their duties.
- i. Paying assessed costs related to changes in boundaries, reorganization, or dissolution.
- j. Publishing the notices and estimates and the actual and necessary expenses of preparing the budget.
- k. Engraving and printing school bonds, in the case of a school district.
- l. Transferring interest and principal to the debt service fund when due for loans to purchase equipment authorized under Iowa Code section 279.48 and loans to be used for energy conservation measures under Iowa Code section 473.20, in the case of a school district, where the original proceeds were accounted for in the general fund.
- m. Transferring interest and principal to the debt service fund when due for lease purchase agreements related to capital projects authorized under Iowa Code subsection 273.3(7), in the case of an area education agency.
- n. Funding asbestos projects including the costs of inspection and reinspection, sampling, analysis, assessment, response actions, operations and maintenance, training, periodic surveillance, and developing of management plans and record-keeping requirements relating to the presence of asbestos in school buildings and its removal or encapsulation.
- o. Funding energy conservation projects entered into with the department of natural resources or its duly authorized agents or representatives pursuant to Iowa Code section 473.20, in the case of a school district.
- p. Transferring to a capital projects fund as authorized by the school budget review committee, in the case of a school district.
- q. Transferring to a capital projects fund as funds are due to be expended on a capital project authorized under Iowa Code subsection 273.3(7), in the case of an area education agency.
- r. Paying any other costs not required to be accounted for in another fund (**IAC 281--98.61(2)**).

Inappropriate expenditures in the general fund include the following:

- a. Purchasing land or improvements other than land for student construction projects.
- b. Purchasing or constructing buildings or for capital improvements to real property except under special circumstances authorized by the school budget review committee, in the case of a school district, or except as authorized under Iowa Code subsection 273.3(7), in the case of an area education agency.
- c. Modifying or remodeling school buildings or classrooms even if to make them accessible.
- d. Paying interest and principal on long-term indebtedness for which the original proceeds were not accounted for in the general fund.
- e. Funding lease-purchases.
- f. Purchasing portable buildings.
- g. Paying individuals or private organizations that are not audited and allowed and related to goods received or services rendered.
- h. Paying other costs that are not operating or current expenditures for public education and are not expressly authorized in the Iowa Code (**IAC 281--98.61(3)**).

The general fund includes two special levy programs available to school districts, but not to AEAs, that are restricted by the Iowa Code.

- a. *Instructional support program.* The instructional support program is a district-initiated program to provide additional funding to the district's general fund.
 - 1) Appropriate uses of instructional support program funding. Moneys received by a district for the instructional support program may be used for any general fund purpose except those listed as inappropriate uses in paragraph "b," subparagraph (2).
 - 2) Inappropriate uses of instructional support program funding. Moneys received by a district for the instructional support program shall not be used as, or in a manner which has the effect of, supplanting funds authorized to be received under Iowa Code sections 257.41 (returning dropouts and dropout prevention programs), 257.46 (gifted and talented programs), 298.4 (management fund levy), and 298.2 (physical plant and equipment fund levy), or to cover any deficiencies in funding for special education instructional services resulting from the application of the special education weighting plan under Iowa Code section 256B.9.
- b. *Educational improvement program.* The educational improvement program is a district-initiated program available to districts in special circumstances to provide additional funding to the district's general fund if the district already has the instructional support program in place.
 - 1) Appropriate uses of educational improvement program funding. Moneys received by a district for the educational improvement program may be used for any general fund purpose.
 - 2) Inappropriate uses of educational improvement program funding. Inappropriate uses of educational improvement program funding include any expenditure not appropriate to the general fund (**IAC 281--98.61(4)**).

Sources of Revenue

Sources of revenue include all moneys not required by law to be accounted for in another fund **(298A.2)** and interest on the investment of those moneys. Proceeds from the sale or disposition of property other than real property shall be placed in the general fund. Proceeds from the lease of real or other property shall be placed in the general fund **(297.22(1)"b")**. Rents or fees received for community uses listed in section 297.9, such as for meetings, for community recreational activities, community education programs, election purposes, other meetings of public interest, public forums, and similar community purposes, are recorded in the general fund. Compensation or rent received for the use of school property shall be accounted for in the general fund **(297.9, 297.10)**. Sales of school supplies (commonly called resale) and sales or rentals of textbooks shall be accounted for in the general fund **(301.1(1))**. Any revenue or receipt described in law as a "miscellaneous income" or coming from SBRC modified allowable growth is restricted to the General Fund.

Sources of revenue in the general fund include all moneys not required by law to be accounted for in another fund and interest on the investment of those moneys. Proceeds from the sale or disposition of property other than real property, proceeds from the lease of real or other property, compensation or rent received for the use of school property, sales of school supplies, and sales or rentals of textbooks shall be accounted for in the general fund. Proceeds for loans for equipment pursuant to Iowa Code section 279.48, federal loans for asbestos projects pursuant to Iowa Code section 279.52, or loans for energy conservation projects pursuant to Iowa Code section 473.20 may be accounted for in the general fund. Any revenue or receipt described in law as "miscellaneous income" or related to modified allowable growth is restricted to the general fund **(IAC 281--98.61(1))**.

Department of Education Guidance Pursuant to Section 256.9(16):

May a district sell naming rights to school buildings in order to generate revenues for the General Fund?

No. A district may rename buildings if it does so with no expectation of earning any revenue for this activity. A district has no authority to sell naming rights.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed for specific purposes other than debt service and capital projects. Student activity fund, management levy fund, PERL Fund, district/AEA support trust funds, AEA special education instruction fund, AEA juvenile home fund, equalization levy fund, Emergency levy fund, disaster recovery fund, and library levy fund are special revenue funds.

Student Activity Fund (21)

Purpose and Use

The student activity fund is a special revenue fund. A student activity fund must be established in any school corporation receiving money from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student-related cocurricular or extracurricular activities. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules **(298A.8)**.

Each board shall sponsor a pupil activity program sufficiently broad and balanced to offer opportunities for all pupils to participate. The program shall be supervised by qualified professional staff and shall be designed to meet the needs and interests and challenge the abilities of all pupils consistent with their individual stages of development; contribute to the physical, mental, athletic, civic, social, moral, and emotional growth of all pupils; offer opportunities for both individual and group activities; be integrated with the instructional program; and provide balance so a limited number of activities will not be perpetuated at the expense of others **(IAC 281--12.6(1))**.

If the board sponsors a voluntary program of supervised intramural sports for pupils in grades seven through twelve, qualified personnel and adequate facilities, equipment, and supplies shall be provided. Middle school grades below grade seven may also participate **(IAC 281--12.6(2))**.

If a school district does not provide an interscholastic activity for its students, the board of directors of that school district may complete an agreement with another school district to provide for the eligibility of its students in interscholastic activities provided by that other school district. **(280.13A)**.

A public school shall not participate in or allow students representing a public school to participate in any extracurricular interscholastic athletic contest or competition which is sponsored or administered by an organization unless the organization is registered with the department of education, files financial statements with the department in the form and at the intervals prescribed by the director of the department of education, and is in compliance with rules which the state board of education adopts for the proper administration, supervision, operation, adoption of eligibility requirements, and scheduling of extracurricular interscholastic athletic contests and competitions and the organizations **(280.13)**.

Organizations registered with the department include the following:

- 1) Iowa high school athletic association
- 2) Iowa girls high school athletic union
- 3) Iowa high school music association
- 4) Iowa high school speech association
- 5) Unified Iowa high school activities federation **(IAC 281--36.2)**.

Cities and towns cannot limit or license school activities **(1928 Op. Att'y Gen. 280 (#27-12-23))**.

In Iowa, all funds collected through school activities are under the financial control of the school board. Prudent and proper accounting of all receipts and expenditures in these accounts is, therefore, the responsibility of the board, and therefore, the board secretary and board treasurer **(291)**. Districts may maintain subsidiary records for student activities, however, all official records of the student activity fund shall be maintained on the single, district-wide Uniform Financial Accounting system, and all subsidiary records must be reconciled to the official records on a monthly basis.

School districts are not required to maintain funds raised by outside organizations in the school's activity fund. A board may regulate fundraising activity during school and school sponsored events, and it may regulate the use of funds derived from those sources **(OAG #83-9-1)**.

Employees of a school corporation maintaining a high school who have the custody of funds belonging to the corporation or funds derived from extracurricular activities and other sources in the conduct of their duties, shall be required to furnish suitable bond indemnifying the corporation or any activity group connected with the school against loss, and employees who have the custody of property belonging to the corporation or any activity group connected with the school may be required to furnish such bond. Said bond or bonds may be in such form and penalty as the board may approve and the premiums shall be paid from the general fund of the corporation **(279.8)**.

The student activity fund shall not be used as a clearing account for the general fund or any other fund **(IAC 281—98.60)**. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly accounted for in another fund.

The student activity fund must be established in any school district receiving moneys from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student-related cocurricular or extracurricular activities. Moneys collected through school activities are public funds that are the property of the school district and are under the financial control of the school board. Upon dissolution of an activity, such as a graduating class or student club, the surplus must be used to support other student activities in the student activity fund. Prudent and proper accounting of all receipts and expenditures in these accounts is the responsibility of the board. School districts may maintain subsidiary records for student activities if those records are reconciled to the official records on a monthly basis; however, all official accounting records of the student activity fund shall be maintained within the school district's chart of account pursuant to Uniform Financial Accounting for Iowa School Districts and Area Education Agencies **(IAC 281—98.70)**.

The Iowa Department of Education released the following guidance document on student activities in **April 2008**. The purpose of this document is to provide guidance to school districts regarding usage of student activity funds, including fundraising by members of student activity groups. Activity groups include Future Farmers of America (FFA), Distributive Education Clubs of America (DECA), Family, Career and Community Leaders of America (FCCLA), National Honor Society (NHS), as well as any other student curricular, co-curricular, and extra-curricular groups that raise funds. Specifically, schools and school auditors were raising questions about proper use of funds raised by student members of such groups.

General Points:

1. Student activity funds are first, last, and always public funds that are property of the school district, the same as any other district funds.

2. It is never appropriate for a school district to give cash to student members of activity groups.

Ensuring Equitable Participation in Benefits:

All members of a student activity group must have an equitable opportunity to participate in the benefits offered by the group. Suggested criteria (in addition to fundraising) that may be used by a school district include the following:

- a. Years of membership in the group;
- b. Positions of leadership or responsibility held in the group;
- c. Attendance at meetings or functions of the group;
- d. General conduct (or misconduct).

All criteria for participation in a benefit offered to some, but not all, members of the group must be approved by the local school board. These benefits may be defined locally, but must include attendance at any state-level or national-level conferences, as well as all other activities that are not available to all student members of the group because of cost restrictions.

Notice of all criteria for participation in a benefit offered to some, but not all, members of the group must be provided to the members at the start of each school year.

Fundraising:

If fundraising is used by an activity group, the school district must keep the safety and security of student members as its primary concern. For instance, students should be urged not to go door-to-door alone, if at all. Some alternatives to the door-to-door sales include the following:

- a. Selling items at tables or booths (with proper permissions) at a mall, shopping center, or individual place of business;
- b. Operating a concession stand at a local event;
- c. Cleaning the local football stadium of trash after home events;
- d. Waiting on tables one night a year at a local restaurant for the tips;
- e. Asking a local business (such as a restaurant) to donate a percentage of its profits on a designated day of each year to the club.

If fundraising is used by an activity group, a community service alternative must be offered to members who cannot or will not undertake the fundraising activity. The alternative project must be safe, available to any member, and must earn the student as much “credit” as would the fundraising. (For instance, if the alternative activity is picking up trash on school grounds, the students must be informed that “X” hours of the activity is the equivalent of selling “X” dollars’ worth of the goods or services being sold.) Any typical “Eagle Scout” project will probably be appropriate as an alternative activity to fundraising. Make sure that the alternative is not punitive in nature.

People purchasing goods or services from a member of a student activity group must be provided with all relevant information about how the funds will be used. For example, “the money raised by this project will help send four members to our national conference.”

Give thoughtful consideration to allocation of a percentage of all funds raised to a common pot. It is reasonable to use the district’s population of students who receive free or reduced-price lunch (F/R) as a starting point. For instance, if a district has a F/R population of 43%, some percentage close to – perhaps within ten points of – 43% is a good guideline for the amount of funds raised by each student to go to the common pot. The remaining percentage may be credited to the student specifically based on the other guidance given above. Again, the amount credited may not be given to the student, but is used to fund participation of that student in an approved event.

Here’s an example of putting this to action: ABC Community School District has a F/R student population of 43%. The District’s DECA group wants to raise funds to send five members to its national conference. ABC’s school board has approved a set of criteria for determining which five students go, including points for the criteria in paragraph 3 herein. Those points are 2/3 of the determination of who goes to the national conference. A fundraiser determines the other 1/3. Students are offered the chance to sell pizzas (every \$50 sold = 1 point) or to participate in the District’s “Adopt a Highway” ditch clean-up effort (every hour = 1 point). The ABC school board has determined that 45% of all funds raised by all student activity groups goes into that group’s “common pot.” Lola sells \$100 worth of pizzas, gaining 2 points. If she is selected to go to the conference, \$55 (\$100 - \$45) of what she earned is directly allocated to the costs of sending Lola to the conference.

Types of Expenditures

The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under **Iowa Administrative Code 281--12.6(1)**.

Expenditures that lack public purpose shall not be made from public moneys. The student activity moneys are public funds (**Iowa Supreme Court**).

Appropriate expenditures include the ordinary and necessary expenses of operating district sponsored and supervised student cocurricular and extracurricular activities. Expenditures that may not be made from public moneys include the following:

1. The cost of optional equipment or customizing uniforms.
2. The cost of uniforms when the following two tests are not met:
 - a. The activity is a part of the school district's educational program, and
 - b. The wearing of the uniform or equipment is necessary in order to participate.
3. Hospital or medical claims for student injuries or procurement of student medical insurance. However, district liability insurance is allowed from public tax funds [Management Fund, or if no Management Fund, then General Fund].
4. Optional costs related to activities such as promotional costs (printing of tickets and posters, or other advertising expenses). The expenditures are not necessary to the extracurricular program, and are therefore optional and shall not come from public funds. [Note: This refers to specialized tickets promoting the event but does not refer to general purpose tickets used by the district for appropriate internal accounting controls.]
5. Membership fees in student activity related associations if the fees are optional, in that non-member schools may participate in sponsored events (**OAG #92-11-13**).

Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund.

All funds from all student organizations and activities residing in the school district funds including the student activity fund are owned by the school district. The students are not owners of the funds, and the funds do not meet the legal requirement of description to be specific identifiable money (**1967 Senior Class of Pekin vs Tharp, Supreme Court of Iowa, December 12, 1967**). An excess of revenues over expenditures for any student activity remains under the control of the board and may not be distributed to any individual member of such activity. Residual interest in all student activity moneys belongs to the district and remains in the student activity fund. Upon dissolution of such activity, such as a graduating class, drama club, etc., the surplus must be used to support other student activities in the student activity fund.

Student activity funds may not in any event be devoted or allocated to any private organization nor may they be added to the general fund. These funds shall be maintained in a student activity fund supervised by the board (**OAG #46-3-26**).

Appropriate expenditures in the student activity fund include ordinary and necessary expenses of operating school district-sponsored and district-supervised student cocurricular and extracurricular activities, including purchasing services from another school district to provide for the eligibility of enrolled students in interscholastic activities provided by the other school district when that school district does not provide an interscholastic activity for its students (**IAC 281--98.70(2)**).

Inappropriate expenditures in the student activity fund include the following:

- a. Maintenance of funds raised by outside organizations.
- b. The cost of bonds for employees having custody of funds derived from cocurricular and extracurricular activities in the conduct of their duties. These are costs to the general fund.
- c. Expenditures that lack public purpose.
- d. Payments to any private organization unless a fundraiser was held expressly for that purpose and the purpose of the fundraiser was specifically identified.
- e. Transfers to any other fund of any surplus within the fund.
- f. Payments more properly accounted for in another fund such as public tax funds, trust funds, state and federal grants, textbook/library book fines, fees, rents, purchases or sales, sales of school supplies, or curricular activities.
- g. Use of the student activity fund as a clearing account for any other fund.
- h. Cash payments to student members of activity groups.
- i. The cost of optional equipment or customizing uniforms.
- j. The cost of uniforms when the following two tests are not met:

- 1) The activity is a part of the school's educational program, and
- 2) The wearing of the uniform or equipment is necessary in order to participate.
- k. Hospital or medical claims for student injuries or procurement of student medical insurance.
- l. Optional costs related to activities that are not necessary to the cocurricular and extracurricular program such as promotional costs.
- m. Membership fees in student activity-related associations if the fees are optional, i.e., nonmember schools may participate in sponsored events.
- n. Costs to participate in or to allow students to participate in any cocurricular and extracurricular interscholastic athletic contest or competition not sponsored or administered by either the Iowa High School Athletic Association or the Iowa Girls High School Athletic Union (**IAC 281--98.70(3)**).

Sources of Revenue

Sources of revenue in the student activity fund include income derived from student activities such as gate receipts, ticket sales, admissions, student club dues, donations, fund-raising events, and any other receipts derived from student body cocurricular or extracurricular activities, contests, and exhibitions as well as interest on the investment of those moneys (**IAC 281--98.70(1)**).

District Management Levy Fund (22)

Purpose and Use

The district management levy fund is a special revenue fund. A district management levy fund must be established in any school corporation which levies the tax authorized under section 298.4 (**298A.3**).

The purpose of this fund is to pay the costs of unemployment benefits, early retirement benefits, insurance agreements, and costs of liability insurance and judgments or settlements relating to liability. Unencumbered funds collected from the levies authorized in sections 96.31, 279.46, and 296.7 prior to July 1, 1991, [Tort/Insurance Fund, Unemployment Fund, Early Retirement Fund] may be expended for the purposes of unemployment benefits, cost of insurance agreements, and costs of early retirement benefits (**298.4**).

The purpose of the management fund is to pay the costs of unemployment benefits; early retirement benefits; insurance agreements; liability insurance to protect the school districts from tort liability, loss of property, and environmental hazards; and judgments or settlements relating to such liability. The authority to establish a management fund is available to school districts but not to area education agencies (**IAC 281—98.62**).

Employees of a school corporation maintaining a high school who have the custody of funds belonging to the corporation or funds derived from extracurricular activities and other sources in the conduct of their duties, shall be required to furnish suitable bond indemnifying the corporation or any activity group connected with the school against loss, and employees who have the custody of property belonging to the corporation or any activity group connected with the school may be required to furnish such bond. Said bond or bonds may be in such form and penalty as the board may approve and the premiums shall be paid from the general fund of the corporation (**279.8**).

Unemployment Benefits. Political subdivisions may levy a tax outside their general fund levy limits to pay the cost of unemployment benefits. For school districts the cost of unemployment benefits shall be included in the district management levy pursuant to section 298.4 (**96.31**).

Insurance Agreements. School districts are prohibited from using this levy to pay for employee health benefit plans (**OAG #92-10-5(L)**). Any insurance agreements entered into or renewed on or after May 7, 1990, are subject to this prohibition: management fund may not be used to pay for employee health benefit plans. Management fund may be used to fund qualifying early retirement benefits even if those benefits include continuing health benefits (**OAG #94-1-3(L)**).

1. A school district may contract indebtedness and issue general obligation bonds or enter into insurance agreements obligating the school district to make payments beyond its current budget year for one or more of the following mechanisms to protect the school district from tort liability, loss of property, environmental hazards, or any other risk associated with the operation of the school district:
 - a. To procure or provide for a policy of insurance.
 - b. To provide a self-insured program.
 - c. To establish and maintain a local government risk pool.

However, this subsection does not apply to an insurance program described in subsection 3.

2. For purposes of subsection 1, an employee benefit plan which includes a specific or aggregate excess loss coverage or a program that self-insures only a per-employee or per-family deductible for each year and which transfers the risk remaining beyond this deductible is not a self-insurance program, but is instead an insurance program. As used in this section, an "employee benefit plan" includes, but is not limited to benefits for hospital and surgical, medical expense, major medical, dental, prescription drug, disability, or life insurance costs or benefits.
3. A school district, providing an insurance program as described in subsection 2, shall not contract indebtedness and issue general obligation bonds or enter into insurance agreements obligating the school district to make payments beyond its current budget year for that employee benefit plan. A school district may, however, apply to the SBRC for relief if necessitated by the expenses in the school district's insurance program as described in subsection 2. [This time period has past for coming to the SBRC.]
4. Taxes may be levied in excess of any limitation imposed by statute for payment of one or more of the following authorized by subsection 1:
 - 1) Principal, premium, or interest on bonds.
 - 2) Premium on an insurance policy, including a stop loss or reinsurance policy, except as limited by subsection 3.
 - 3) Costs of a self-insurance program.
 - 4) Costs of a local government risk pool.
 - 5) Amounts payable under an insurance agreement.

However, for a school district, a tax levied under this section shall be included in the district management levy under section 298.4.
5. A self-insurance program or local government risk pool authorized by subsection 1 is not insurance and is not subject to regulation under chapters 505 through 523C. However, those self-insurance plans regulated pursuant to section 509A.14 shall remain subject to the requirements of section 509A.14 and rules adopted pursuant to that section.
6. Notwithstanding the other provisions of this section or any other statute, the tax levy authorized by this section shall not be used to pay the costs of employee benefits, including, but not limited to costs for hospital and surgical, medical expense, major medical, dental, prescription drug, disability, or life insurance benefits.
7. If the board by resolution restricts the use of money in a fund as a reserve for uninsured liability or a self-insurance program, the use shall be restricted and unavailable for any other purpose until the board removes the restriction. The removal is not effective until all obligations of the restricted fund have been satisfied, or the next fiscal year, whichever occurs later **(296.7)**.

"Tort" means every civil wrong which results in wrongful death or injury to person or injury to property or injury to personal or property rights and includes but is not restricted to actions based upon negligence; error or omission; nuisance; breach of duty, whether statutory or other duty or denial or impairment of any right under any constitutional provision, statute or rule of law **(670.1(4))**.

Except as otherwise provided in chapter 670, every municipality [including school districts and AEAs] is subject to liability for its torts and those of its officers and employees, acting within the scope of their employment or duties, whether arising out of a governmental or proprietary function. For the purposes of chapter 670, employee includes a person who performs services for a municipality whether or not the person is compensated for the services, unless the services are performed only as an incident to the person's attendance at a municipality function **(670.2)**.

The liability imposed by section 670.2 shall have no application to any claim enumerated in section 670.4. As to any such claim, a municipality shall be liable only to the extent liability may be imposed by the express statute dealing with such claims and, in the absence of such express statute, the municipality shall be immune from liability **(670.4)**.

The governing body of a municipality [including school districts and AEAs] may purchase a policy of liability insurance insuring against all or any part of liability which might be incurred by the municipality or its officers, employees, and agents under section 670.2 and section 670.8 and may similarly purchase insurance covering torts specified in section 670.4. The governing body of the municipality may adopt a self-insurance program, including but not limited to the investigation and defense of claims, the establishment of a reserve fund for claims, the payment of claims, and the administration and management of the self-insurance program, to cover all or any part of the liability. The governing body of a municipality may join and pay funds into a local government risk pool to protect itself against any or all liability. The governing body of a municipality may enter into insurance agreements obligating the municipality to make payments beyond its current budget year to provide or procure such policies of insurance, self-insurance program, or local government risk pool. The premium costs of the insurance, the costs of a self-insurance program, the costs of a local government risk pool, and the amounts payable under the insurance agreements shall be included in the district management levy as provided in section 296.7 if the district has certified a district management levy. If the district has not certified a district management levy, the cost shall be paid from the general fund **(670.7)**.

A school district entering into an insurance agreement pursuant to section 296.7(1)"a" to protect against property loss has authority under section 298.4(3) to use its management fund to pay the cost of a physical inventory conducted solely for the purpose of insurance. To the extent that GAAP requires a school district to conduct physical inventories of its property for purposes other than insurance, the district should use its general fund to pay for them (**AG Informal Advice, February, 1996**).

Judgment. The governing body shall defend its officers and employees, whether elected or appointed and shall save harmless and indemnify the officers and employees against any tort claim or demand, whether groundless or otherwise, arising out of an alleged act or omission occurring within the scope of their employment or duties. However, the duty to save harmless and indemnify does not apply to awards for punitive damages. The exception for punitive damages does not prohibit a governing body from purchasing insurance to protect its officers and employees from punitive damages. The duty to save harmless and indemnify does not apply and the municipality is entitled to restitution by an officer or employee if, in an action commenced by the municipality against the officer or employee, it is determined that the conduct of the officer or employee upon which the tort claim or demand was based constituted a willful and wanton act or omission. Any independent or autonomous board or commission of a municipality having authority to disburse funds for a particular municipal function without approval of the governing body shall similarly defend, save harmless and indemnify its officers and employees against tort claims or demands. The duties to defend and to save harmless and indemnify shall apply whether or not the municipality is a party to the action and shall include but not be limited to cases arising under title 42 United States Code section 1983. In the event the officer or employee fails to cooperate in the defense against the claim or demand, the municipality shall have a right of indemnification against that officer or employee (**670.8**).

The governing body of any municipality may compromise, adjust and settle tort claims against the municipality, its officers, employees and agents, for damages under sections 670.2 or 670.8 and may appropriate money for the payment of amounts agreed upon (**670.9**).

When a final judgment is entered against or a settlement is made by a municipality for a claim within the scope of section 670.2 or 670.8, payment shall be made and the same remedies apply in the case of nonpayment as in the case of other judgments against the municipality. If a judgment or settlement is unpaid at the time of the adoption of the annual budget, the municipality shall budget an amount sufficient to pay the judgment or settlement together with interest accruing on it to the expected date of payment. A tax may be levied in excess of any limitation imposed by statute. However, for school districts the costs of a judgment or settlement under section 670.10 shall be included in the district management levy pursuant to section 298.4 (**670.10**).

The existence of any insurance which covers in whole or in part any judgment or award which may be rendered in favor of the plaintiff, or lack of any such insurance, shall not be material in the trial of any action brought against the governing body of a municipality, or its officers, employees, or agents, and any reference to such insurance, or lack of insurance, is grounds for a mistrial. A self-insurance program or local government risk pool is not insurance and is not subject to regulation under chapters 505 through 523C (**670.7(3)**).

All officers and employees of municipalities are not personally liable for claims which are exempted under section 670.4, except claims for punitive damages, and actions permitted under section 85.20. An officer or employee of a municipality is not liable for punitive damages as a result of acts in the performance of a duty, unless actual malice or willful, wanton and reckless misconduct is proven (**670.12**).

A default judgment shall not be taken against an employee, officer, or agent of a municipality unless the municipality is a party to the action and the time for special appearance, motion or answer by the municipality under rule of civil procedure 1.303 has expired (**670.13**).

When a judgment shall be obtained against a school corporation, its board shall order the payment thereof out of the proper fund [Management Fund] by an order on the treasurer, not in excess, however, of the funds available for that purpose (**298.15**).

If the proper fund is not sufficient, then, unless its board has provided by the issuance of bonds for raising the amount necessary to pay a judgment, the cost of the judgment shall be included in the district management levy (**298.16**).

Where a judgment had been fraudulently obtained against a school district, the fact that the electors had voted a tax to pay such judgment would not stop the district from bringing an action to set it aside within a year after it was obtained (**Independent School District of Rock Rapids v. Schreiner, 1877, 46 Iowa 173**).

Early Retirement Benefits. The board of directors of a school district may adopt a program for payment of a monetary bonus, continuation of health or medical insurance coverage, or other incentives for encouraging its employees to retire

before the normal retirement date as defined in chapter 97B. The program is available only to employees who notify the board of directors prior to April 1 of the fiscal year that they intend to retire not later than the start of the next following school calendar [day before teacher contracts begin]. The age at which employees shall be designated eligible for the program shall be at the discretion of the board. An employee retiring under this section may apply for a retirement allowance under chapter 97B or chapter 294 [IPERS]. The board may include in the district management levy an amount to pay the total estimated accumulated cost to the school district of the health or medical insurance coverage, bonus, or other incentive for employees within the age range of 55 to 65 years of age who retire under this section **(279.46)**.

An IPERS member's normal retirement date is any of the following, whichever is applicable to the member:

1. The first of the month in which a member attains the age of 65 years if the member has not completed twenty years of membership service.
2. The first of the month in which the member attains the age of 62 years if the member has completed twenty years of membership service.
3. The first of any month in which the member has completed twenty years of membership service if the member has attained the age of 62 years but is not yet 65 years of age.
4. The first of any month in which a member is at least 55 years of age and for which the sum of the number of years of membership service and prior service and the member's age in years as of the member's last birthday equals or exceeds 88 **(97B.45)**.

A member's early retirement date shall be the first of the month in which a member attains the age of 55 years or the first of any month after attaining the age of 55 years prior to the member's normal retirement date, provided such date shall be after the last day of service **(97B.47)**.

Department of Education Guidance Pursuant to Section 256.9(16):

Is the district required to provide early retirement incentives to employees who meet the qualifications of the law and want to participate in an incentive program?

No. The law specifically grants to the board the discretion to determine if it will provide an early retirement incentive program.

What are the requirements that must be met for early retirement?

The employee **MUST**: Be between the years of age specified in local board policy. Notify the board prior to April 1. Retire no later than the start of the following school calendar.

Can an employee retire at some time other than after the school calendar ends and before the next school calendar begins?

Yes. An employee can notify the board anytime in the fiscal year in which the employee will retire as long as that notification is before April 1 of that same school year. In other words, the notification can be any day on or after July 1 but before April 1. The date of the employee's retirement can be any day in that same fiscal year after the notification to the board as long as it is no later than the first day of the following school calendar. In other words, the retirement can be any day on or after July 1 of the fiscal year but no later than the day before the teaching contracts begin for the next school year--a retirement window of approximately 14 months.

What if the board's current policy specifies employees must be between the ages of 59 and 65, but the board wants to change the age range to between the ages of 55 and 65. Can employees apply before the policy is changed?

The employee could preface the request for retirement "pending adoption of a district policy allowing the incentive". The board, however, must amend its current board policy and have it in effect on or before the employee's retirement date.

Does "within the age range" for early retirement include ages 55 and 65?

The intent of the legislation was to provide an incentive to employees to retire before the normal retirement age under chapter 97B.45 and beginning with the age of 55. The oldest normal retirement age in chapter 97B.45 is the first of the month in which the employee turns age 65. Also, the Code language in section 279.46 states age 55 to 65 rather than through 65. So age 55 would be included but age 65 would not.

If an individual retired at less than age 55, may the costs of the incentive be paid from the Management Fund?

No. The incentive costs paid in the year of retirement and all subsequent years for that individual would be paid from the General Fund.

If an individual retired at less than age 55, may the costs of the incentive be paid from the General Fund and then switched to the Management Fund after that individual becomes age 55?

No. The incentive costs paid in the year of retirement and all subsequent years for that individual would be paid from the General Fund.

May the employee take early retirement from one district and go to another to work?
The IPERS regulations would apply to the ability to continue working.

If the district currently offers an early retirement incentive program to employees, must it now allow employees between the ages of 55 and 65 to participate, if those age groups were not already included in the incentive program?
No. The board has the discretion to determine by policy at what age its program will begin and end. Of course, the board must abide by any federal laws regarding age discrimination, etc.

May the district levy in the Management Fund to pay the retirement incentive for retirees?
The district may include in the Management Fund levy an amount to pay the incentives for individuals who were within the age range of 55 to 65 at retirement. The payments if initially allowed from Management Fund may be paid from the Management Fund until the entire incentive has been paid.

Must the district replace the retiring employee and must the district realize a savings on the replacement employee in order to pay for the retirement incentives from the Management Fund?
These requirements have been struck from the law. It is no longer necessary for the district to replace the retiring employee or to realize any savings to the district by the employee's retirement to use the Management Levy.

Can the district offer early retirement incentives to employees?
Yes. Iowa Code Section 279.46 gives the district the authority to implement an early retirement incentives program for employees within the age range specified in local board policy.

Does the payment of continuation of health or medical insurance coverage conflict with law and Attorney General Opinions determining that health and medical insurance programs may not be expended from the Management Fund?
No. The law specifically allows continuation of health and medical insurance coverage when it is an incentive that is part of the board's early retirement incentive program adopted in compliance with Section 279.46.

The date for certifying the next year's budget is April 15th. Is it too late to use the Management Fund to pay the incentives for employees who notify after July 1 and retire early enough in the fiscal year to receive a payment before June 30?

The district cannot increase the tax levy in the Management Fund after the certification date. However, the district may amend its certified budget to increase expenditure levels. The budget can be amended after the budget year begins on July 1 and until May 31 of the budget year. The May 31st date allows time for a protest hearing and decision by June 30 should the amendment be protested. Districts may amend their budgets after May 31, but if the amendment is protested the amendment is void. It may not be necessary to amend the budget if the total anticipated expenditures in all budgeted funds for that budget control line (instruction, support services, non-instructional programs, or total other expenditures) will not exceed the amount originally certified. The district could also pay for the incentive from the General Fund if the district has sufficient budget authority.

Must the district levy in the Management Fund to pay the early retirement incentives?
No. The law states that the district may levy in the Management Fund to pay the early retirement incentives of those individuals who retire within the age range of 55 and 65 years of age. The district would also be able to pay the incentive from existing unreserved moneys in the Management Fund or the General Fund.

On which date is the age limitation measured?
Age is measured on the actual date of retirement.

What does "next following school calendar" mean?
It means the individual must retire on or before the first day that teachers are required to be at school pursuant to their contracts.

Types of Expenditures

This fund shall be expended only for the following purposes:

1. To pay the cost of unemployment benefits as provided in section 96.31.
2. To pay the costs of liability insurance and the costs of a judgment or settlement relating to liability together with interest accruing on the judgment or settlement to the expected date of payment.
3. To pay the costs of insurance agreements under section 296.7.
4. To pay the costs of a judgment under section 298.16.

5. To pay the cost of early retirement benefits to employees under section 279.46 **(298.4)**.

Appropriate expenditures in the management fund include the following:

- a. Costs of unemployment benefits as provided in Iowa Code section 96.31.
- b. Costs of liability insurance to protect the school districts from tort liability, loss of property, and environmental hazards.
- c. Costs of a final court judgment entered against the district or a settlement made for a tort liability claim including interest accruing on the judgment or settlement to the expected date of payment.
- d. Costs, including prepaid costs, of insurance agreements to protect the school districts from tort liability, loss of property, environmental hazards, or other risk associated with operations, but not including employee benefit plans.
- e. Costs of early retirement benefits to employees under Iowa Code section 279.46 to pay a monetary bonus, continuation of health or medical insurance coverage, or other incentives for encouraging employees to retire before the normal retirement date for employees within the age range of 55 to 65 who notify the board of directors prior to April 1 of the fiscal year that they intend to retire not later than the start of the next following school calendar.
- f. Costs of a physical inventory conducted solely for the purpose of insurance.
- g. Transfers to the debt service fund for payment of principal and interest when due on general obligation bonds issued under Iowa Code section 296.7 to protect the school district from tort liability, loss of property, environmental hazards, or other risk associated with operations.
- h. Transfers to the appropriate fund for the portion of an insurance claim which was eligible under the insurance agreement but was denied because it was within the deductible limit **(IAC 281--98.62(2))**.

Inappropriate expenditures in the management fund include the following:

- a. Costs for employee health benefit plans.
- b. Costs to conduct physical inventories of property for purposes other than insurance.
- c. Costs to conduct actuarial studies.
- d. Costs for supplies or capital outlay.
- e. Transfer to a trust fund for other postemployment benefit (OPEB) cost or estimated cost calculated pursuant to Governmental Accounting Standards Board (GASB) Statement 45.
- f. Any other costs not expressly authorized in the Iowa Code **(IAC 281--98.62(3))**.

Sources of Revenue

The board of directors of a school district may certify for levy by April 15 of a school year, a tax on all taxable property in the school district for a district management levy. The revenue from the tax levied shall be placed in the district management levy fund **(298.4)**. Other sources include interest on the investment of those moneys.

Sources of revenue in the management fund include a property tax and interest on the investment of those moneys **(IAC 281--98.62(1))**.

Public Education and Recreation Levy (PERL) Fund (24)

Purpose and Use

The public education and recreation levy fund is a special revenue fund. A public education and recreation levy fund must be established in any school corporation which levies the tax authorized under section 300.2 or which receives revenue from a 28E agreement authorized under section 300.1 **(298A.6)**. Once approved at an election, the authority of the board to levy and collect the tax shall continue until the board votes to rescind the levy and collection of the tax or the voters of the school district by majority vote order the discontinuance of the levy and collection of the tax **(300.3)**.

Boards of directors of school districts may establish and maintain for children and adults public recreation places and playgrounds, and necessary accommodations for the recreation places and playgrounds, in the public school buildings and grounds of the district. The board may cooperate under chapter 28E with a public agency having the custody and management of public parts or public buildings and grounds, and with a private agency having custody and management of buildings or grounds open to the public, located within the school district, and may provide for the supervision and instruction necessary to carry on public educational and recreational activities in the parks, buildings, and grounds located within the district **(300.1)**.

The tax levied under sections 300.2 and 300.3 may also be used for community education purposes under chapter 276 **(300.4)**.

It is the purpose of chapter 276 to provide educational, recreational, cultural, and other community services and programs through the establishment of the concept of community education with the community school serving as the center for such activity. In cooperation with other community agencies and groups, it is the purpose of the community education act to mobilize community resources to solve identified community concerns and to promote a more efficient and expanded use of existing school buildings and equipment, to provide leadership in working with other entities, to mobilize the human and financial resources of a community, and to provide a wide range of opportunities for all socioeconomic, ethnic, and age groups. A related purpose of chapter 276 is to develop a sense of community in which the citizenry cooperates with the school and community agencies and groups to resolve their school and community concerns and to recognize that the schools belong to the people, and that as the entity located in every neighborhood, the schools are available for use by the community day and night, year-round or any time when the programming will not interfere with the elementary and secondary program **(276.2)**.

"Community education" means a life-long education process concerning itself with every facet that affects the well-being of all citizens within a given community. It extends the role of the school from one of teaching children through an elementary and secondary program to one of providing for citizen participation in identifying the wants, needs, and concerns of the neighborhood community and coordinating all educational, recreational, and cultural opportunities within the community with community education being the catalyst for providing for citizen participation in the development and implementation of programs toward the goal of improving the entire community. Community education energizes people to strive for the achievement of determined goals and stimulates capable persons to assume leadership responsibilities. It welcomes and works with all groups without drawing any lines. It is the one institution in the entire community that has the opportunity to reach all people and groups and to gain their cooperation **(276.3(3))**.

The board of directors of a local school district may establish a community education program for schools in the district and provide for the general supervision of the program. Financial support for the program shall be provided from funds raised pursuant to chapter 300 and from any private funds and any federal funds made available for the purpose of implementing community education. The program which recognizes that the schools belong to the people and which shall be centered in the schools may include but shall not be limited to the use of the school facilities day and night, year round including weekends and regular school vacation periods for educational, recreational, cultural, and other community services and programs for all age, ethnic, and socioeconomic groups residing in the community **(276.10(1))**.

If a community education program is established, the board shall appoint a community education director who shall have professional training in the field of community education, recreation, or comparable experience **(279.10(2))**.

The school districts may cooperate with community colleges, institutions under the control of the state board of regents, and AEAs in providing community education programs **(276.10(5))**.

Residents of the affected school district shall determine if community education will function in their community by providing for funding pursuant to chapter 300 **(276.11)**. If the voters of a school district have approved the levying of a tax pursuant to section 300.2 prior to July 7, 1978, moneys collected pursuant to the voted tax levy after said date may be used for community education programs **(276.12)**.

Boards of directors of school districts may establish and maintain for children and adults public recreation places and playgrounds, and necessary accommodations for the recreation places and playgrounds, in the public school buildings and on the grounds of the district. Financial support for the community education program shall be provided from funds raised pursuant to Iowa Code chapter 300 and from any private funds and any federal funds made available for the purpose of implementing community education. The authority to establish a levy for a PERL fund is available to school districts but not to area education agencies **(IAC 281—98.65)**.

Types of Expenditures

Expenditures include those necessary to establish and maintain public recreation places and playgrounds and necessary accommodations, to provide public educational and recreational activities authorized under chapter 300, and to provide community education authorized under chapter 276.

Appropriate expenditures in the PERL fund include the following:

- a. Establishing and maintaining free public recreation places and playgrounds, including necessary accommodations.
- b. Providing free public educational and recreational activities.

- c. Establishing and supervising a free community education program.
- d. Providing a community education director if a community education program is established (**IAC 281--98.65(2)**).

Inappropriate expenditures in the PERL fund include the following:

- a. Programs for which a fee may be charged such as before- and after-school programs and preschool programs.
- b. Any other costs not necessary to provide free programs for community education and for public recreation places, playgrounds, and programs (**IAC 281--98.65(3)**).

Sources of Revenue

The primary sources of revenue are the tax levy not to exceed \$0.135 per \$1000 of assessed valuation (**300.2**), any appropriation by the agencies involved in a cooperative effort under Iowa Code chapter 28E, federal funding under Public Law 93-380, interest on temporary investment of PERL moneys, and donations.

Sources of revenue in the PERL fund include a property tax levy not to exceed \$0.135 per \$1000 of assessed valuation, any appropriation by the agencies involved in a cooperative effort under Iowa Code chapter 28E, federal grants, donations, and interest on the investment of those moneys (**IAC 281--98.65(1)**).

AEA Special Education Instruction Fund (25)

Purpose and Use

The special education instruction fund is used to account for the revenues and expenditures of the special education instructional program that an area education agency provides for its member districts under Iowa Code subsection 273.9(2). This does not include special education support services as provided by Iowa Code subsection 273.9(3) which are accounted for in the general fund (**IAC 281--98.71**).

School districts shall pay the costs of special education instructional programs with the moneys available to the districts for each child requiring special education, by application of the special education weighting plan in section 256B.9. Special education instructional programs shall be provided at the local level if practicable, or otherwise by contractual arrangements with the area education agency board as provided in section 273.3, subsection 5, but in each case the total money available through section 256B.9 and chapter 257 because of weighted enrollment for each child requiring special education instruction shall be made available to the district or agency which provides the special education instructional program to the child, subject to adjustments for transportation or other costs which may be paid by the school district in which the child is enrolled. Each district shall co-operate with its area education agency to provide an appropriate special education instructional program for each child who requires special education instruction, as identified and counted within the certification by the area director of special education or as identified by the area director of special education subsequent to the certification, and shall not provide a special education instructional program to a child who has not been so identified and counted within the certification or identified subsequent to the certification (**273.9(2)**).

The costs of special education support services provided through the area education agency shall be funded as provided in chapter 257. Special education support services shall not be funded until the program plans submitted by the special education directors of each area education agency as required by section 273.5 are modified as necessary and approved by the director of the department of education according to the criteria and limitations of chapters 256B and 257 (**273.9(3)**).

Types of Expenditures

Appropriate expenditures in the special education instruction fund include those authorized to a school district pursuant to Iowa Code chapter 256B and 281—Chapter 41 (**IAC 281--98.71(2)**).

Inappropriate expenditures in the special education instruction fund include expenditures not allowed to school districts pursuant to Iowa Code chapter 256B and 281—Chapter 41 (**IAC 281--98.71(3)**).

Sources of Revenue

Sources of revenue in the special education instruction fund include tuition charged to districts with students in the special education instruction program and interest on the investment of those moneys (**IAC 281--98.71(1)**).

LEA Equalization Levy Fund (25)

Purpose and Use

If necessary to equalize the division of liabilities and distribution of assets in a reorganization, merger, or dissolution, the board of a school district may provide for the levy of additional taxes upon the property of the former district so as to effect equalization pursuant to Iowa Code section 275.31. Once the levy has been received, the district shall transfer the funds before the end of the fiscal year to the funds for which equalization was necessary and for which the taxes were levied (**IAC 281—98.112**).

If necessary to equalize the division and distribution, the board or boards may provide for the levy of additional taxes, which shall be sufficient to satisfy the mandatory levy required in section 76.2 or other liabilities of the districts, upon the property of a corporation or part of a corporation and for the distribution of the tax revenues so as to effect equalization. When the board or boards are considering the equalization levy, the division and distribution shall not impair the security for outstanding obligations of each affected corporation. Any owner of bonds of an affected corporation may bring suit in equity for adjustment of the division and distribution in compliance with this section (**275.31**).

Types of Expenditures

Appropriate expenditures from the equalization levy fund are limited to transfers to the funds, in the same proportion, for which equalization was necessary and for which the taxes were levied (**IAC 281--98.112(2)**).

Inappropriate uses of the equalization levy fund would include transfers to any fund for which equalization was not required or for which the equalization tax was not levied and any uses other than transfers (**IAC 281--98.112(3)**).

Sources of Revenue

Sources of revenue for the equalization levy fund include a tax levy pursuant to Iowa Code section 275.31, and interest on those moneys (**IAC 281--98.112(1)**).

AEA Juvenile Home Instruction Fund (26)

Purpose and Use

The juvenile home program instruction fund is used to account for the revenues and expenditures for the educational program for students residing in juvenile homes as provided by Iowa Code section 282.30. The juvenile home program supplements, but does not supplant expenditures required of an area education agency under Iowa Code chapter 273. Revenues and expenditures related to federal or state grants serving students in the juvenile homes that supplement, rather than supplant the juvenile home program are included in the general fund, rather than the juvenile home fund (**IAC 281—98.72**).

An area education agency shall provide or make provision for an appropriate educational program for each child living in the following types of facilities located within its boundaries:

- 1) An approved or licensed shelter care home, as defined in section 232.2, subsection 34.
- 2) An approved juvenile detention home, as defined in section 232.2, subsection 32 (**282.30(1)"a"**).

The area education agency shall provide the educational program by any one of, but not limited to, the following:

- 1) Providing for the enrollment of the child in the district of residence of the child, subject to the approval of the district in which the child is living.
- 2) Cooperating with the district of residence of the child and obtaining the course of study and textbooks of the child for use in the special facility into which the child has been placed.
- 3) Providing for the enrollment of the child in the district in which the child is living, subject to the approval of the district in which the child is living (**282.30(1)"b"**).

An area education agency shall not provide educational services to a facility specified in paragraph "a" unless the facility makes a request for educational services to the area education agency by either of the following dates:

- 1) December 1 of the school year prior to the beginning of the school year for which the services are being requested.

- 2) Ninety days prior to the beginning of the time for which the services are being requested if the facility is a newly established facility **(282.30(1)"c")**.

The area education agency where the child is living, the school district of residence, the other appropriate area education agency or agencies, and other appropriate agencies involved with the care or placement of the child shall cooperate with the school district where the child is living in sharing educational information, textbooks, curriculum, assignments, and materials in order to plan and to provide for the appropriate education of the child living in such facility specified in subsection 1 **(282.30(2))**.

A child who lives in a facility pursuant to section 282.30, subsection 1, paragraph "a", and who is not enrolled in the educational program of the district of residence of the child, shall receive appropriate educational services. The area education agency shall submit a proposed program and budget to the department of education by January 1 for the next succeeding school year. The department of education shall review and approve or modify the program and proposed budget and shall notify the department of administrative services and the area education agency of its action by February 1. The department of administrative services shall pay the approved budget amount for an area education agency in monthly installments beginning September 15 and ending June 15 of the next succeeding school year. The installments shall be as nearly equal as possible as determined by the department of management, taking into consideration the relative budget and cash position of the state's resources. The department of administrative services shall transfer the approved budget amount for an area education agency from the moneys appropriated under section 257.16 and make the payment to the area education agency. The area education agency shall submit an accounting for the actual cost of the program to the department of education by August 1 of the following school year. The department shall review and approve or modify all expenditures incurred in compliance with the guidelines pursuant to section 256.7, subsection 10, and shall notify the department of administrative services of the approved accounting amount. The approved accounting amount shall be compared with any amounts paid by the department of administrative services to the area education agency and any differences added to or subtracted from the October payment made under this paragraph for the next school year. Any amount paid by the department of administrative services shall be deducted monthly from the state foundation aid paid under section 257.16 to all school districts in the state during the subsequent fiscal year. The portion of the total amount of the approved budget that shall be deducted from the state aid of a school district shall be the same as the ratio that the budget enrollment for the budget year of the school district bears to the total budget enrollment in the state for that budget year in which the deduction is made **(282.31(1)"a")**.

Programs may be provided during the summer and funded under this section if the school district or area education agency determines a valid educational reason to do so **(282.31(5))**.

Types of Expenditures

Appropriate expenditures in the juvenile home program instruction fund include ordinary and necessary expenditures to provide an instructional program to students residing in juvenile homes **(IAC 281--98.72(2))**.

Inappropriate expenditures in the juvenile home program instruction fund include the following:

- a. Costs estimated or allocated that are expenditures of the agency, such as insuring agency property.
- b. Costs that are not ordinary and necessary to provide instruction.
- c. Debt service.
- d. Capital outlay related to facilities **(IAC 281--98.72(3))**.

Sources of Revenue

Sources of revenue in the juvenile home program instruction fund include an advance paid pursuant to Iowa Code section 282.31, tuition billed to resident districts, grants in aid and interest on the investment of those moneys **(IAC 281--98.72(1))**.

LEA Emergency Levy Fund (26)

Purpose and Use

A school district may levy a tax for the emergency fund upon the approval of the state appeals board. Once the levy has been received, the district may request approval of the SBRC to transfer the funds to any other fund of the district for the purpose of meeting deficiencies in a fund arising within two years of a disaster as defined in Iowa Code subsection 29C.2(1) **(IAC 281—98.111)**.

A municipality [including a school district] may include in the estimate required, an estimate for an emergency fund. A municipality may assess and levy a tax for the emergency fund at a rate not to exceed twenty-seven cents [\$0.27] per thousand dollars of assessed value of taxable property of the municipality. However, an emergency tax levy shall not be made until the municipality has first petitioned the state board and received its approval **(24.6(1))**.

- a. Transfers of moneys may be made from the emergency fund to any other fund of the municipality for the purpose of meeting deficiencies in a fund arising from any cause. However, a transfer shall not be made except upon the written approval of the state board, and then only when that approval is requested by a two-thirds [2/3] vote of the governing body of the municipality.
- b. Notwithstanding the requirements of paragraph "a", if the municipality is a school corporation, the school corporation may transfer money from the emergency fund to any other fund of the school corporation for the purpose of meeting deficiencies in a fund arising within 2 years of a disaster as defined in section 29C.2, subsection 1. However, a transfer under this paragraph "b" shall not be made without the written approval of the SBRC **(24.6(2))**.

"Disaster" means man-made and natural occurrences, such as fire, flood, drought, earthquake, tornado, windstorm, hazardous substance or nuclear power plant accident or incident, which threaten the public peace, health, and safety of the people or which damage and destroy public or private property. The term includes attack, sabotage, or other hostile action from within or without the state **(29C.2(1))**.

Types of Expenditures

Appropriate expenditures in the emergency levy fund include only transfers to other funds for the purpose of meeting deficiencies in a fund arising within two years of a disaster and upon the approval of the SBRC **(IAC 281--98.111(2))**.

Inappropriate expenditures in the emergency levy fund include any expenditures other than a transfer to another fund and any transfer not approved by the SBRC **(IAC 281--98.111(3))**.

Sources of Revenue

Sources of revenue for the emergency levy fund include a tax levy not to exceed \$0.27 per \$1000 of assessed value of taxable property, and interest on those moneys **(IAC 281--98.111(1))**.

District/AEA Support Trust Fund (27)

Purpose and Use

The District/AEA Support Trust Fund is used to account for moneys received in trust where those moneys, both principal and interest, are to benefit the district. If the district or AEA has more than one District/AEA Support Trust, it will use locally assigned project codes to identify the different trusts in the same fund.

A board must determine that the terms of the gift, devise, or bequest are not inconsistent with the objectives of a public school district, may be accepted by the board, and the board may exercise such powers with reference to the gift, devise, or bequest. The board of directors must take action to accept or establish trust or agency funds. It is the board's responsibility to insure that the funds will be used for purposes that are compatible with the mission of and restrictions on the district. Once accepted, it is the responsibility of the board to insure that the fiduciary relationship is carried out according to the terms of the agreement. If the purpose for which the money is to be spent is not in keeping with the overall objectives of the school, the board shall not assume responsibility as a trustee for the fund. Gifts of cash or other assets shall not be accepted if the board cannot legally meet, justify, or agree to the prescribed conditions.

Upon their acceptance, gifts and bequests of money become public funding under the stewardship of the recipient. A court would likely void any transfer of public funds to a nonprofit organization **(OAG #00-8-2(L))**.

Trust funds shall be established by any school corporation to account for gifts it receives to be used for a particular purpose or to account for money and property received and administered by the district as trustee. Boards may establish trust funds as necessary **(298A.13)**.

School corporations are authorized to take and hold property, real and personal, by gift and bequest and to administer the property through the proper officer in pursuance of the terms of the gift or bequest. Title shall not pass unless

accepted by the governing board of the corporation. Conditions attached to the gifts or bequests become binding upon the corporation upon acceptance **(565.6)**.

The board of directors of a school district which receives funds through gifts, devises, and bequests shall deposit these funds in a trust or an agency fund [as appropriate] and use them in accordance with the terms of the gift, devise, or bequest **(279.42)**.

The district/AEA support trust fund is used to account for moneys received in trust where those moneys, both principal and interest, are to benefit the school district/AEA. The school district or area education agency shall not transfer its own resources to a district/AEA support trust fund. If the school district or area education agency has more than one district/AEA support trust, it will use locally assigned project codes pursuant to Uniform Financial Accounting for Iowa School Districts and Area Education Agencies to identify the different trusts in the same fund. The district/AEA support trust fund is not an irrevocable trust. The board of directors of the school district must take action to accept or establish each gift, devise, or bequest in the district support trust fund. It is the board's responsibility to ensure that the terms of the gift, devise, or bequest are compatible with the mission of and legal restrictions on the school district/AEA. Once accepted, gifts, devises, and bequests become public funding under the stewardship of the school district/AEA. If the purpose for which the moneys are to be spent is not in keeping with the overall objectives of the school district/AEA or legal authority of the school district/AEA, the board shall not assume responsibility as the trustee **(IAC 281—98.66)**.

Types of Expenditure

The characteristics of the expenditures from a District/AEA Support Trust Fund depend on the nature of the donor's conditions or the responsibilities of the trustee. All expenditures will be for the benefit of the district's programs.

Appropriate expenditures in the district/AEA support trust fund include those that are consistent with the terms of the agreement, are legal expenditures to a school district/AEA, and are for the benefit of the school district/AEA **(IAC 281—98.66(2))**.

Inappropriate expenditures in the district/AEA support trust fund include transfers to nonprofit or private organizations or any expenditure which is not consistent with the terms of the agreement, legal to a school district/AEA, or for the benefit of the school district/AEA **(IAC 281—98.66(3))**.

Sources of Revenue

Sources of revenue include donations of cash, investment instruments, property, and interest on investments held. In a District/AEA Support Trust fund, both principal and interest, are available to expend to benefit the district's programs.

Sources of revenue in the district/AEA support trust fund include donations of cash, investment instruments, property, and interest on investments held. In a district/AEA support trust fund, both principal and interest are available to benefit the school district/AEA's programs **(IAC 281—98.66(1))**.

Disaster Recovery Fund (28)

Purpose and Use

The disaster recovery fund is a special revenue fund. The fund is established to account for the financial transactions related to disaster recovery that extend over more than one fiscal year, are normally accounted for in multiple other funds, and are not required to be accounted for in the emergency levy fund. Establishment of a disaster recovery fund for a qualified disaster is not required of the district or AEA but is available for the convenience of the district or AEA in accumulating financial information necessary for FEMA or similar grants.

"Disaster" means man-made and natural occurrences, such as fire, flood, drought, earthquake, tornado, windstorm, hazardous substance or nuclear power plant accident or incident, which threaten the public peace, health, and safety of the people or which damage and destroy public or private property. The term includes attack, sabotage, or other hostile action from within or without the state **(29C.2(1))**.

Types of Expenditures

Expenditures include those directly related to the identified disaster.

Sources of Revenue

The source of revenue includes, but is not limited to, grants and insurance proceeds.

[Amana] Library Levy Fund (29)

Purpose and Use

The library levy fund is a special revenue fund. A library levy fund must be established in any school corporation which levies the tax authorized under section 298.7 **(298A.7)**.

The board of directors of any school corporation in which there is no free public library may contract with any free public library for the free use of such library by the residents of such school district, and pay the library the amount agreed upon for the use of the library as provided by law. During the existence of the contract, the board shall certify annually a tax sufficient to pay the library the consideration agreed upon, not exceeding twenty cents per thousand dollars of assessed value of the taxable property of the district. During the existence of the contract, the school corporation is relieved from the requirement that the school treasurer withhold funds for library purposes. This section does not apply in townships where a contract for other library facilities is in existence **(298.7(1))**. However, if a school district which is qualified to contract for library services under subsection 1 levies a tax not to exceed twenty cents per thousand dollars of assessed valuation of the taxable property for school library purposes in the fiscal year before a reorganization involving the district, the tax levy shall remain valid for succeeding fiscal years, and shall be levied and collected against the taxable property of the former district which is part of the reorganized district for school library purposes. The contract and the tax levy may be discontinued by a petition signed by eligible electors residing in the former district **(298.7(2))**.

The Clear Creek Amana Community School District is the only district eligible to implement the library levy.

Each city within its corporate boundaries and each county within the unincorporated area of the county shall levy a tax of at least six and three-fourths cents per thousand dollars of assessed value on the taxable property or at least the monetary equivalent thereof when all or a portion of the funds are obtained from a source other than taxation, for the purposes of providing financial support to the public library which provides library services within the respective jurisdictions **(256.69)**. This would include all cities and counties other than Amana.

The board of directors of a school district in which there is no free public library may contract with any free public library for the free use of such library by the residents of the school district and pay the library the amount agreed upon for the use of the library as provided by law. During the existence of the contract, the board shall certify annually a tax sufficient to pay the library the agreed-upon consideration **(IAC 281--98.63)**.

Types of Expenditures

Appropriate expenditures in the library levy fund include expenditures necessary to provide a free public library **(IAC 281--98.63(2))**.

Inappropriate expenditures in the library levy fund include the following:

- a. Capital expenditures related to land or buildings.
- b. Debt service.
- c. Any other costs not necessary to provide a free public library **(IAC 281--98.63(3))**.

Sources of Revenue

Sources of revenue are derived from the tax levy authorized under section 298.7 and interest on investment of those moneys.

Sources of revenue in the library levy fund include a property tax not to exceed \$0.20 per \$1000 of assessed value of the taxable property of the district and interest on the investment of those moneys **(IAC 281--98.63(1))**.

Capital Projects Funds (30-39)

Purpose and Use

Capital projects funds are used to account for financial resources to acquire or construct major capital facilities [other

than those of proprietary funds and trust funds] and to account for revenues from the previous local option sales and services tax for school infrastructure and the current state sales and services tax for school infrastructure. Boards of directors of school districts are authorized to establish more than one capital projects fund as necessary (**IAC 281—98.69**).

Capital Project funds 31-32 are used to account for capital projects financed with general obligation bonds. These are the bonds commonly called “bond issues” or “GO bonds.”

Capital Project fund 33 is used to account for revenues received from the LOSST/SAVE. If a district has more than one county with a LOSST/SAVE with different revenue purpose statements, the fund code may be supplemented by the classification Project/Reporting code.

Capital Project fund 36 is used to account for the Physical Plant and Equipment Levy Fund.

Capital Project funds 34-35 and 37-39 are used to account for capital projects financed with sources other than general obligation bonds or local option/statewide sales and services tax for school infrastructure.

A capital project fund must be established in any school corporation which issues bonds or other authorized indebtedness for capital projects or which initiates a capital project, or which receives grants or other funds for capital projects. Boards are authorized to establish more than one capital project fund as necessary. Any balance remaining in a capital project fund after the capital project is completed may be retained for future capital projects in accordance with the original purpose of the bond issue or voter-approved levy; or may be transferred, by board resolution, to the debt service fund, the physical plant and equipment levy fund, or other fund from which the surplus originated; or transferred to the general fund in accordance with section 278.1, paragraph “e” (**298A.9**).

All local option sales and services taxes for school infrastructure purposes imposed under chapter 423E are repealed (**423F.2(1)”a”**). The distribution of moneys in the secure an advanced vision for education fund (SAVE) and the use of the moneys for infrastructure purposes or property tax relief shall be as provided in chapter 423F. However, the formula for the distribution of the moneys in the fund shall be based upon amounts that would have been received if the LOSST taxes under former chapter 423E, Code and Code Supplement 2007, continued in existence (**423F.2(1)”b”**). It is the intent of the general assembly that the [one cent] increase in the state sales, services, and use taxes shall be used solely for purposes of providing revenues to local school districts under chapter 423F to be used solely for school infrastructure purposes or school district property tax relief (**423F.1**). The tax revenues, SAVE, and the bond proceeds shall be deposited in the LOSST/SAVE capital projects fund 33.

The board of directors of a school district shall be authorized to issue negotiable, interest-bearing school bonds, without election, and utilize tax receipts derived from the sales and services tax for school infrastructure purposes and the supplemental school infrastructure amount for principal and interest repayment. Proceeds of the bonds issued pursuant to section 423E.5 shall be utilized solely for school infrastructure needs as school infrastructure is defined in section 423E.1(3), Code 2007, and section 423F.3 (**423E.5**).

A school district may anticipate its share of the revenues under section 423F.2 by issuing bonds in the manner provided in section 423E.5. However, to the extent any school district has issued bonds anticipating the proceeds of an extended local sales and services tax for school infrastructure purposes imposed by a county pursuant to former chapter 423E, Code and Code Supplement 2007, prior to July 1, 2008, the pledge of such revenues for the payment of principal and interest on such bonds shall be replaced by a pledge of its share of the revenues under section 423F.2 (**423F.4**).

Types of Expenditures

Expenditures in capital project funds, unless otherwise restricted by Code, include the cost of purchasing, building, furnishing, reconstructing, repairing, improving or remodeling a schoolhouse or schoolhouses and additions thereto, gymnasium, stadium, field house, school bus garage, teachers' or superintendent's home/s, and procuring a site, or purchasing land to add to a site already owned, or procuring and improving a site for an athletic field, or improving a site already owned for an athletic field, and for any one or more of such purposes (**296.1**). Expenditures include acquiring sites for school purposes; erecting, completing or improving buildings authorized for school purposes; or acquiring equipment for schools, sites, and buildings (**298.21**).

LOSST proceeds shall be utilized solely for school infrastructure purposes or property tax relief. It is the intent of the general assembly that the [one cent] increase in the state sales, services, and use taxes shall be used solely for purposes of providing revenues to local school districts under chapter 423F to be used solely for school infrastructure purposes or school district property tax relief (**423F.1**). School infrastructure means those activities for which a school district is authorized to contract indebtedness and issue general obligation bonds under section 296.1, except those activities

related to a teacher's or superintendent's home or homes. These activities include the construction, reconstruction, repair, demolition work, purchasing, or remodeling of schoolhouses, stadiums, gyms, fieldhouses, and bus garages and the procurement of schoolhouse construction sites and the making of site improvements, and those activities for which revenues under section 298.3 (PPEL) or 300.2 (PERL) may be spent. Additionally, school infrastructure includes the payment or retirement of outstanding bonds previously issued for school infrastructure purposes as defined in this subsection, and the payment or retirement of bonds issued under section 423E.5 (**423E.1(3), 2007 Code**).

Notwithstanding 423F.3, a school district may apply LOSST receipts collected pursuant to chapter 423F for the purposes of payment of either principal or interest, or both principal and interest, on bonds, and the levy for the payment of the bonds correspondingly reduced (**76.4**). This Code section was enacted to permit LOSST to be used to pay subsequent bond issues in addition to the previous bond issues allowed by 423F.

The tax expenditure purposes expressed in the ballot proposition for a local option tax [or the revenue purpose statement] are binding upon the governing body after local option tax imposition [or the revenue purpose statement] is approved by the voters (**OAG #91-11-1**).

The voters can approve ballot language on uses of the revenues pertaining to one school district within the county that is different from the uses of the revenues for another school district within the county (**OAG #00-2-1**).

Chapter 423E/F on the local option sales and services tax [SAVE] for school infrastructure does not per se prohibit the salaries and benefits of a school district employee whose activities are solely related to the infrastructure activities outlined in section 423E.1(3), 2007 Code, from being paid with the tax proceeds received under chapter 423E/F (**OAG #00-4-4(L)**).

Appropriate expenditures in a capital projects fund, excluding state/local option sales and services tax/SAVE for school infrastructure fund, include the following:

- 1) Purchasing, constructing, furnishing, equipping, reconstructing, repairing, improving, or remodeling a schoolhouse or schoolhouses and additions thereto, gymnasium, stadium, field house, school bus garage, or teachers' or superintendents' home(s).
- 2) Procuring a site, or purchasing land to add to a site already owned, or procuring and improving a site for an athletic field, or improving a site already owned for an athletic field.
- 3) Transferring to the PPEL fund or debt service fund by board resolution any balance remaining in a capital projects fund after the capital project is completed and after return of any excess amount transferred into the capital projects fund from another fund. The voters in the district may authorize the district to transfer the remaining balance to the general fund instead of the PPEL fund or debt service fund pursuant to Iowa Code subsection 278.1(1) "c" (**IAC 281--98.69(2)"a"**).

Appropriate expenditures in the state/local option sales and services tax/SAVE for the school infrastructure capital projects fund shall be expended in accordance with a valid revenue purpose statement if a valid revenue purpose statement exists, otherwise appropriate expenditures include the following in order:

- 1) Payment of principal and interest on revenue bonds issued pursuant to Iowa Code sections 423E.5 and 423F.4 for which the revenue has been pledged.
- 2) Reduction of debt service levies.
- 3) Reduction of regular and voter-approved PPEL levies.
- 4) Reduction of the PERL levy.
- 5) Reduction of any schoolhouse tax levy under Iowa Code subsection 278.1(1) "c."
- 6) Any authorized infrastructure purpose of the district pursuant to Iowa Code subsection 423F.3(6), which includes the following:
 - a. Payment or retirement of outstanding general obligation bonded indebtedness issued for school infrastructure purposes.
 - b. Payment or retirement of outstanding revenue bonds issued for school infrastructure purposes.
 - c. Purchasing, constructing, furnishing, equipping, reconstructing, repairing, improving, remodeling, or demolition of a schoolhouse or schoolhouses and additions thereto, gymnasium, stadium, field house, or school bus garage.
 - d. Procuring a site, or purchasing land to add to a site already owned, or procuring and improving a site for an athletic field, or improving a site already owned for an athletic field.
 - e. Expenditures listed in Iowa Code section 298.3.
 - f. Expenditures listed in Iowa Code section 300.2 (**IAC 281--98.69(2)"b"**).

Inappropriate expenditures in a capital projects fund include student construction or any expenditure not expressly authorized in the Iowa Code. Additionally, expenditures from the state/local options sales and services tax

supplemental school infrastructure amount for new construction or for payments for bonds issued for new construction in any district that has a certified enrollment of fewer than 250 pupils in the district or a certified enrollment of fewer than 100 pupils in the high school without a certificate of need issued by the department of education. This restriction does not apply to payment of outstanding general obligation bonded indebtedness issued pursuant to Iowa Code section 296.1 before April 1, 2003. This restriction also does not apply to costs to repair school buildings; purchase of equipment, technology or transportation equipment authorized under Iowa Code section 298.3; or for construction necessary to comply with the federal Americans With Disabilities Act. Expenditures from the state/local options sales and services tax revenues have the same restriction as expenditures from the supplemental school infrastructure amount, excluding the restriction on payments for bonds issued for new construction (**IAC 281--98.69(3)**).

Types of Transfers

When a new district is organized the funds cannot be placed in the schoolhouse [capital projects] fund and used for building purposes (**OAG #55-7-26**).

The electorate, by vote, may direct the school district board of directors to transfer any surplus funds in the debt service fund, PPEL fund, capital projects funds, or PERL fund to the general fund [but not the reverse] (**278.1"e"**).

Any governmental fund authorized to be used to construct or acquire capital facilities, must transfer those funds to a capital projects fund to be accounted for there. Any balance remaining in a capital project fund after the capital project is completed may be retained for future capital projects in accordance with the original purpose of the bond issue or voter-approved levy; or may be transferred, by board resolution, to the debt service fund, the physical plant and equipment levy fund, or other fund from which the surplus originated; or transferred to the general fund in accordance with section 278.1, paragraph "e" (**298A.9**).

An AEA only has authority for capital projects which are lease-purchase agreements. In the case of an AEA, there should not be any balance remaining in a capital projects fund because none should have been transferred from the general fund until expenditures were due for payment. If there had been any balance remaining, it would be returned to the general fund immediately follow the completion of the capital project. Section 278.1"e" does not apply to an AEA.

An AEA may hold property and execute purchase agreements within 2 years of a disaster as defined in section 29C.2, subsection 1, and lease-purchase agreements pursuant to section 273.3, subsection 7, and if the lease-purchase agreement exceeds ten [10] years or the purchase price of the property to be acquired pursuant to a purchase or lease-purchase agreement [which equals or] exceeds \$25,000, the AEA shall conduct a public hearing on the proposed purchase or lease-purchase agreement and receive approval from the AEA board of directors and the state board of education or its designee before entering into the agreement (**273.2(2)**).

The AEA board is authorized to lease, purchase, or lease-purchase, subject to the approval of the state board of education or its designee and to receive by gift and operate and maintain facilities and buildings necessary to provide authorized programs and services. However, a lease for less than ten [10] years and with an annual cost of less than \$25,000 does not require the approval of the state board. The state board shall not approve a lease, purchase, or lease-purchase until the state board is satisfied by investigation that public school corporations within the area do not have suitable facilities available. A purchase of property that is not a lease-purchase may be made only within 2 years of a disaster as defined in section 29C.2, subsection 1, and subject to the requirements of this subsection (**273.3(7)**).

Sources of Revenue

Sources of revenue in a capital projects fund include sale of general obligation bonds, grants and donations for capital facility projects, and transfers from other funds which authorized indebtedness for capital facility projects or which initiated a capital facility project or which received grants or other funding for capital projects, and tax receipts or revenue bonds issued for the state sales and services tax for school infrastructure (**IAC281--98.69(1)**).

In the case of an AEA, transfers from the general fund to a capital projects fund are limited to payments from proceeds accounted for in the general fund when payments are due on a capital project under a lease-purchase agreement pursuant to Iowa Code subsection 273.3(7) (**IAC281--98.69(1)**). AEAs do not have bonding or taxing authority. The primary source of revenue in a capital projects fund for an AEA is a transfer from General Fund where the lease-purchase proceeds were deposited and accounted for.

Physical Plant and Equipment Levy (PPEL) Fund (36)

Purpose and Use

The physical plant and equipment levy fund is a special revenue fund. A physical plant and equipment levy fund must be established in any school corporation which levies the tax authorized, whether regular or voter-approved, under section 298.2 (**298A.4**).

The physical plant and equipment levy (PPEL) consists of the regular PPEL of not exceeding thirty-three cents (\$0.33) per thousand dollars of assessed valuation and a voter-approved PPEL of not exceeding one dollar and thirty-four cents (\$1.34) per thousand dollars of assessed valuation, for a total of one dollar and sixty-seven cents (\$1.67) (**298.2(1)**).

The physical plant and equipment levy (PPEL) consists of the regular PPEL not to exceed \$0.33 per \$1000 of assessed valuation and a voter-approved PPEL not to exceed \$1.34 per \$1000 of assessed valuation, for a total of \$1.67. The authority to establish a PPEL fund is available to school districts but not to area education agencies (**IAC 281—98.64**).

Types of Expenditures

The revenue from the regular and voter-approved physical plant and equipment levies shall be placed in the physical plant and equipment levy fund and expended only for the following purposes:

- a. The purchase and improvement of grounds.
 - 1) "Purchase of grounds" includes the legal costs relating to the property acquisition, costs of surveys of the property, costs of relocation assistance under state and federal law, and other costs incidental in the property acquisition.
 - 2) "Improvement of grounds" includes grading, landscaping, paving, seeding, and planting of shrubs and trees; constructing sidewalks, roadways, retaining walls, sewers and storm drains, and installing hydrants; surfacing and soil treatment of athletic fields and tennis courts; exterior lighting, including athletic fields and tennis courts; furnishing and installing flagpoles, gateways, fences, and underground storage tanks which are not parts of building service systems; demolition work; and special assessments against the school district for public improvements, as defined in section 384.37.
- b. The construction of schoolhouses or buildings and opening roads to schoolhouses or buildings.
- c. The purchase, lease, or lease-purchase of a single unit of equipment or technology exceeding five hundred dollars (\$500) in value per unit.
- d. The payment of debts contracted for the erection or construction of schoolhouses or buildings, not including interest on bonds.
- e. Procuring or acquisition of library facilities.
- f. Repairing, remodeling, reconstructing, improving, or expanding the schoolhouses or buildings and additions to existing schoolhouses.
 - 1) "Repairing" means restoring an existing structure or thing to its original condition, as near as may be, after decay, waste, injury, or partial destruction, but does not include maintenance.
 - 2) "Reconstructing" means rebuilding or restoring as an entity a thing which was lost or destroyed.
- g. Expenditures for energy conservation, including payments made pursuant to a guarantee furnished by a school district entering into a financing agreement for energy management improvements, limited to agreements pursuant to section 473.19, 473.20, or 473.20A. [However repayment of such agreements shall only be paid from the fund into which the proceeds were originally deposited (**279.53**).]
- h. The rental of facilities under chapter 28E.
- i. Purchase of transportation equipment for transporting students.
- j. The purchase of buildings or lease-purchase option agreements for school buildings.
- k. Equipment purchases for recreational purposes.
- l. Payments to a municipality or other entity as required under subsection 403.19(2) [TIF].
- m. Demolition, clean up, and other costs if such costs are necessitated by, and incurred within two years of, a disaster as defined in section 29C.2, subsection 1 (**298.3(1)**).

All or a portion of the taxes for the PPEL shall be paid by the school district to the municipality if the auditor certifies to the school district by July 1 the amount of such levy that is necessary to pay the principal and interest on bonds issued by the municipality to finance an urban renewal project, which were issued before July 1, 2001. Indebtedness incurred to refund bonds issued prior to July 1, 2001, shall not be included in the certification. Such school district shall pay over the amount certified by November 1 and May 1 of the fiscal year following certification to the school district (**403.19(2)**).

Interest earned on money in the physical plant and equipment levy fund may be expended for a purpose listed in this section (**298.3(2)**). Unencumbered funds collected prior to July 1, 1991, from the levy previously authorized under section 297.5, Code 1991, [Site fund] may be expended for the purposes listed in this section (**298.3(3)**).

Revenue from the regular and voter-approved PPEL levies shall not be expended for school district employee salaries or travel expenses, supplies, printing costs or media services, or for any other purpose not expressly authorized in this section **(298.3(4))**.

"Single unit of equipment" refers to both equipment and furnishings and does not include bulk purchases or multiple purchases of units. The cost limitation for a single unit of equipment under paragraph "c" does not apply to equipment that becomes part of the real property itself such as furnaces, boilers, water heaters, and central air conditioning units that would be included in repairs to the building under paragraph "f."

"Public Improvement" includes the principal structures, works, component parts and accessories of any of the following:

- a. Sanitary, storm, and combined sewers.
- b. Drainage conduits, channels and levees.
- c. Street grading, paving, graveling, macadamizing, curbing, guttering, and surfacing with oil, oil and gravel or chloride.
- d. Street lighting fixtures, connections and facilities.
- e. Sewage pumping stations, and disposal and treatment plants.
- f. Underground gas, water, heating, sewer and electrical connections located in streets for private property.
- g. Sidewalks and pedestrian underpasses or overpasses.
- h. Drives and driveway approaches located within the public right-of-way.
- i. Waterworks, water mains and extensions.
- j. Plazas, arcades and malls.
- k. Parking facilities.
- l. Removal of diseased or dead trees from any public place, publicly owned right-of-way or private property.
- m. Traffic-control devices, fixtures, connections, and facilities **(384.37(19))**.

The board of directors of a local school district for which a voter-approved PPEL has been voted may enter into a rental or lease arrangement, consistent with the purposes for which the voter-approved PPEL has been voted, for a period not exceeding ten (10) years and not exceeding the period for which the voter-approved PPEL has been authorized by the voters **(279.26)**.

The board may, with approval of sixty percent [60%] of the voters voting in an election in the school district, make extended time contracts not to exceed twenty [20] years in duration for rental of buildings to supplement existing schoolhouse facilities; and where it is deemed advisable for buildings to be constructed or placed on real estate owned by the school district, these contracts may include lease-purchase option agreements, the amounts to be paid out of the PPEL fund **(278.1(2)"a")**.

The board of directors may pay the actual cost of an asbestos project and repayment of a federal asbestos loan program from the general fund or from the PPEL fund. The loan must be repaid over a 3-year period. Cost of an asbestos project includes the costs of inspection and re-inspection, sampling, analysis, assessment, response actions, operations and maintenance, training, periodic surveillance, developing of management plans and recordkeeping requirements relating to the presence of asbestos in school buildings of the district and its removal or encapsulation **(279.52)**. The board of directors shall expend the amount of the principal and interest due each year to maturity from the same fund into which the loan proceeds were deposited **(279.53, IAC 281—98.60)**.

The local school board may purchase buses from funds available (on-hand) in the PPEL fund, or enter into contracts to pay for such buses over a 5-year period as follows: ¼ of the cost when the bus is delivered to the district and the balance in equal annual installments, plus simple interest due. The interest rate shall be the lowest rate available and shall not exceed the rate in effect under Iowa Code section 74A.2. The bus shall serve as security for balance due **(285.10(7))**.

School districts may enter into financing arrangements with the Office of Energy Independence or its duly authorized agents or representatives obligating the school district to make payments on the energy loans beyond the current budget year of the school district. Chapter 75 shall not be applicable. School district shall repay the loans from their debt service funds [from money transferred there from PPEL fund] **(473.20)**. Principal and interest shall be transferred when due from the fund where the original proceeds were recorded as revenues to the debt service fund. The payment of principal and interest is made each year from the debt service fund using money transferred to the debt service fund from the originating fund. Money in the debt service fund from other sources may not be used to repay the debt. The board of directors shall expend the amount of the principal and interest due each year to maturity from the same fund into which the loan proceeds were deposited **(279.53, IAC 281—98.60)**.

School districts may purchase, erect, or otherwise acquire a building for use as a school meal facility, and equip a building for that use, and pay for the acquisition or equipping from funds available in the PPEL fund, subject to the terms of section 298.2 **(283A.9)**.

Moneys received from the condemnation, sale, or other disposition for public purposes of schoolhouses, school sites, or both schoolhouses and school sites, shall be deposited in the PPEL fund and may without a vote of the electorate be used for purposes authorized under section 298.3 [PPEL] as ordered by the board of directors of the school district **(279.41)**.

If and to whatever extent the voter-approved PPEL tax that is levied in any year in excess of the amount of principal and interest falling due in that year under a loan agreement, the first available proceeds, to an amount sufficient to meet maturing installments of principal and interest under the loan agreement, shall be paid into the debt service fund for the loan before the taxes are otherwise made available for other school purposes, and the amount required to be annually set aside to pay principal of and interest on the money borrowed under the loan agreement constitutes a first charge upon the proceeds of the voter-approved PPEL, which tax shall be pledged to pay the loan and the interest on the loan **(297.36)**.

No school attendance center fence shall be constructed of barbed wire, nor shall any barbed wire fence be placed within ten [10] feet of any school attendance center **(297.14; 1912 Op. Att’y Gen. 738 (#12-4-20))**.

Appropriate expenditures in the PPEL fund include the following:

- a. Purchase of grounds including the legal costs relating to the property acquisition, costs of surveys of the property, costs of relocation assistance under state and federal law, and other costs incidental in the property acquisition.
- b. Improvement of grounds including grading, landscaping, paving, seeding, and planting of shrubs and trees; constructing sidewalks, roadways, retaining walls, sewers and storm drains, and installing hydrants; surfacing and soil treatment of athletic fields and tennis courts; exterior lighting, including athletic fields and tennis courts; furnishing and installing flagpoles, gateways, fences, and underground storage tanks which are not parts of building service systems; demolition work; and special assessments against the school district for public improvements.
- c. Construction of schoolhouses or buildings.
- d. Construction of roads to schoolhouses or buildings.
- e. Purchasing, leasing, or lease-purchasing a single unit of equipment or a single unit of technology exceeding \$500 in value per unit. “Single unit of equipment” means both equipment and furnishings and does not include bulk purchases or multiple purchases of units. The cost limitation for a single unit of equipment does not apply to recreational equipment or equipment that becomes an integral part of real property such as furnaces, boilers, water heaters, and central air-conditioning units that are included in repairs to a building.
- f. Transferring to debt service for payments, when due, of debts contracted for the erection or construction of schoolhouses or buildings, not including interest on bonds.
- g. Procuring or acquisition of library facilities.
- h. Repairing, remodeling, reconstructing, improving, or expanding the schoolhouses or buildings and the additions to existing schoolhouses. “Repairing” means restoring an existing structure or thing to its original condition, as near as may be, after decay, waste, injury, or partial destruction, but does not include maintenance. “Reconstructing” means rebuilding or restoring as an entity a thing which was lost or destroyed.
- i. Energy conservation projects.
- j. Transferring interest and principal to the debt service fund when due for loans to purchase equipment authorized under Iowa Code section 279.48, for loans in anticipation of the collection of the voter-approved property under Iowa Code section 297.36, and loans to be used for energy conservation measures under Iowa Code section 473.20, in the case of a school district, when the original proceeds were accounted for in the PPEL fund.
- k. The rental of facilities under Iowa Code chapter 28E.
- l. Purchase of transportation equipment for transporting students.
- m. Purchase of buildings or lease-purchase option agreements for school buildings.
- n. Purchase of equipment for recreational purposes.
- o. Payments to a municipality or other entity as required under Iowa Code section 403.19, subsection 2.
- p. Asbestos projects including costs of inspection and reinspection, sampling, analysis, assessment, response actions, operations and maintenance, training, periodic surveillance, development of management plans and record-keeping requirements relating to the presence of asbestos in school buildings of the district and its removal or encapsulation.
- q. Purchase, erect, or acquire a building for use as a school meal facility, and equip a building for that use **(IAC 281--98.64(2))**.

Inappropriate expenditures in the PPEL fund include the following:

- a. Student construction.

- b. Salaries and benefits.
- c. Travel.
- d. Supplies.
- e. Facility, vehicle, or equipment maintenance.
- f. Printing costs or media services.
- g. Any other purpose not expressly authorized in the Iowa Code (**IAC 281--98.64(3)**).

1. Technology, as the term is used in section 298.3(1)(c) includes all of the components listed on page 88 herein as (a) through (q) except for the following, both of which are likely to be expenditures not associated with the initial acquisition of the laptop computers associated with the 1:1 initiative:

- Software that is educational or instructional software
- Professional development of staff that does not train staff in the operation of the computers.

2. Because the response to the first question includes all of the expenditures associated with the initial acquisition of technology, “bundling” is allowable to the extent that all expenditures are within the meaning of technology as discussed in this declaratory order, are allowable from a single fund, and provide sufficient information to account for the expenditures properly. If items are more appropriately expended from another fund, they must be accounted for in that other fund. For purposes of this order, “bundling” is a collection of items from a single vendor related to a specific purchase.

3. The extent to which a district must have detailed invoices that segregate allowable costs from PPEL vs. allowable costs from the General Fund parallels our response to the second question. Nothing about this declaratory order relieves a school district of its obligation to account for all items appropriately and in more contexts than just the fund from which the expenditure was appropriate.

4. When disposing of the laptops, a school district must comply with Iowa Code section 297.22(1)(d).

This declaratory order has the same status and binding effect as a final order issued in a contested case proceeding (**DE Dec. Ord. 26 87**).

Department of Education Guidance Pursuant to Section 256.9(16):

May a district pay a portion of its whole grade sharing tuition from PPEL and designate that amount for school infrastructure?

No. Tuition is not an allowable use from PPEL. Also all tuition is a General Fund expenditure to the sending district and a General Fund revenue to the receiving district and may not be used or designated for school infrastructure purposes.

May a district share its PPEL revenues with its whole grade sharing partner or any other entity?

No. PPEL Fund is one fund that is more restricted than Dillon's Rule in that PPEL Fund can only be used for those expenditures that are expressly stated in Iowa Code 298.3. Sharing PPEL is not a listed legal use of PPEL revenues.

Could a district charge a portion of a transportation purchased services contract from PPEL, as if it were for leasing buses instead of paying the full contract from the General Fund?

A bus lease that is a legal lease agreement, where the district obtains buses that it will use itself, can be paid from PPEL. However, it would not be appropriate to deem a portion of a purchased services contract to be the equivalent of a lease agreement. This would be especially inappropriate if the district were deeming a portion of a purchased service contract to be a lease agreement to obtain buses, when that same service provider is actually the one using the buses to transport the district's students. PPEL Fund is one fund that is more restricted than Dillon's Rule in that PPEL Fund can only be used for those expenditures that are expressly stated in Iowa Code 298.3.

Districts are disallowed from splitting a public improvement contract for purposes of avoiding bid law. The concept of splitting a public improvement contract would be similar to splitting a purchased services busing contract to expend a portion of the contract from a fund where it would not otherwise have been allowable.

In addition, Iowa Code 285.5 and 285.1(17)“b” allow contracting for school bus service with private parties to transport nonpublic students. However, the Code states that the contracts shall not provide payment in excess of the average per pupil transportation costs of the school district for that year. Splitting a contract could result in submitting an incorrect amount for the payment.

1. Question: What is a bundle?

Answer: A bundle, as defined for the Declaratory Order on page 93, means a collection of items from the same vendor related to a specific purchase. A district may purchase components of technology from multiple vendors, but may only bundle those items purchased from the same vendor.

2. Question: Is a bundle the same thing as a group purchase?

Answer: No. A group purchase is multiple items/units of the same or substantially similar items; i.e., 50 desks or 50 desks and 50 chairs, or 50 desk and chair combinations. A bundle consists of relatively dissimilar items that function together as a unit. “Bundle” is a term used with technology purchasing, but is actually used in similar ways for other costs such as remodeling—remodeling could include labor, supplies, purchased services, and equipment within the meaning of “remodeling.” Within technology, a bundle probably will include supplies, equipment, and purchased services.

3. Question: How do school districts or AEAs account for, inventory, insure, or have audited a bundled technology unit?

Answer: School finance experts were involved in writing the Declaratory Order to ensure that districts (or AEAs) would be able to continue to meet all of their fiscal obligations while being able to expand purchasing opportunities and funding opportunities by bundling costs for purchasing purposes. The Declaratory Order on page 93 states that *“bundling is allowed to the extent that all expenditures are within the meaning of technology as discussed in this declaratory order, are allowed from a single fund, and provide sufficient information to account for the expenditures properly...Nothing about this declaratory order relieves a school district of its obligation to account for all items appropriately and in more contexts than just the fund from which the expenditure was appropriate.”*

Bundling is a purchasing concept. For accounting purposes, the district will continue to follow the correct Uniform Financial Accounting coding; for example, functions and objects for accounting and for reporting; will continue to tag/identify each unit of equipment for inventory purposes; and will continue to handle insuring equipment and supplies in the same way it has negotiated with its agent for other equipment and supplies.

4. Question: How can an AEA bundle technology for purchasing when it does not have a PPEL Fund/Levy?

Answer: Bundling is a purchasing concept and is not limited to the PPEL fund. Each “bundle” must be appropriate to the single fund from which it will be purchased, but AEAs could bundle technology in the General Fund. Districts could bundle technology in the General Fund, in the PPEL fund, or possibly in the SAVE/SILO fund or PERL as long as technology is an allowable expenditure from that fund and each bundle is separated by the fund that is paying for the purchase.

5. Question: When the district records the asset, does it bundle the entire 1:1 purchase as a single asset or does it divide the total cost by the number of units?

Answer: Recall that a bundle consists of relatively dissimilar items that function together as a unit purchased from the same vendor. Dividing the total cost by the number of functioning units might not be appropriate; for example, multiple laptops or electronic tablets might jointly use a single server, but the server is much more costly than the individual laptops or tablets. Dividing the cost evenly over the various items that made up the functioning unit would cause the server to be undervalued and the laptops/tablets to be overvalued. This would not work well for insurance purposes if the server were destroyed by a lightning strike, but all the laptops/tablets were unharmed.

Because the district would have disaggregated the bundle for recording the items in the accounting system by correct UFA coding, the district would have a more accurate basis for determining the unit cost working from the accounting side rather than the purchasing side. At that disaggregated level, it would be possible for the district to divide the cost of like items by the total cost that was disaggregated to those items. So the cost of the server would be different than the cost of the laptops/tablets, but the cost of each laptop/tablet might be identical to the cost of another laptop/tablet in the same bundle.

Each laptop/tablet will have a distinct serial number even if they have the same model number. Some districts will tag the laptops/tablets by that serial number with an individual cost in the inventory and/or insurance records and will also use that unique serial number to determine which laptop/tablet was assigned to each student/individual. Other districts will record the laptops/tablets as a group of a specific number of laptops/tablets purchased in a single bundle that are the same model and purchase date while keeping the serial numbers and student assignments in a separate subsidiary record. The method used by districts would be determined locally to meet the district’s needs.

6. Question: Is bundling the same thing as capitalization allowed by generally accepted accounting principles (GAAP)?

Answer: No. Bundling is a purchasing concept that may include items that are not appropriate for capitalization under GAAP. Capitalization under GAAP is allowed for purposes of recording capital assets in a governmental fixed asset inventory or for the entity-wide statements in the audits or for recording capital assets in a proprietary fund and certain trust funds that use full accrual accounting. The latter (proprietary and certain trust funds) records depreciation expense annually on equipment, but governmental funds such as General Fund, PPEL fund, PERL fund, and SAVE/SILO fund record equipment expenditures by function and object.

7. Question: Some of the individual items that could be included in the purchase of bundled technology, such as the warranties, shoulder straps, and bags, would not meet the cost and criteria for capitalization as described in question 6. If the district included some of these otherwise non-capitalized items in the bundled price, does that violate GAAP regarding capitalized assets?

Answer: No. The fact that the district bundled costs for purchasing purposes does not change how the district will record assets. GAAP requires that capital/fixed assets be reported at historical cost including ancillary charges necessary to place the asset into its intended location and condition for use. Therefore, the cost of the capitalized asset could include warranties as well as shoulder straps and bags under GAAP, but would not include costs such as contracted technical services, for example. The Declaratory Order has not changed this GAAP guidance.

8. Question: The Declaratory Order states that “we assume that most of the expenditures associated with the 1:1 laptop initiative are appropriate from PPEL unless it appears that a more appropriate fund exists from which to pay an expenditure.” How does the Declaratory Order reconcile with Iowa Code and Iowa Administrative Code? For example, Iowa Code states that maintenance is not a PPEL expenditure in 298.3(1), paragraph “f” and in 298.3(4) states that PPEL shall not be expended for employee salaries or travel expenses, supplies, printing costs, or media services, etc. Iowa Administrative Code subrule 281--98.64(3) repeats these disallowed uses:

“Inappropriate expenditures in the PPEL fund include the following:

- a. Student construction.
- b. Salaries and benefits.
- c. Travel.
- d. Supplies.
- e. Facility, vehicle, or equipment maintenance.
- f. Printing costs or media services.
- g. Any other purpose not expressly authorized in the Iowa Code.”

Answer: The response is two-fold. One portion deals with the disallowed costs in 298.3(4) and the other portion deals with the definition of maintenance as used in 298.3(1).

A. Previous guidance given to districts regarding this issue in PPEL in 298.3(4) has stated that stand-alone costs included in the list of disallowed items (employee salaries or travel expenses, supplies, printing costs, or media services) would not be appropriate from PPEL. That same paragraph in Iowa Code goes on to state “or for any other purpose not expressly authorized in this section.” The guidance given to districts has said that those same items that are an integral part of an expressly allowed expenditure from PPEL were not intended to be disallowed by that paragraph. For example, general supplies would not be appropriate from PPEL, but supplies that are necessary for the purchase and improvement of grounds, construction of facilities, repairing, remodeling, energy conservation, and demolition would be allowable from PPEL because those activities are specifically and expressly authorized in the Iowa Code section. The Declaratory Order has added “technology” to the list of activities where those costs from paragraph (4) are allowable when they are an integral part of technology.

B. The term “maintenance” is used loosely to describe various activities. However, the law and court cases have a narrower definition of what is meant by that term. “Maintenance” and “repair” are separated, and each definition excludes the other. “Maintenance” in those cases means to cause to remain in a state of good repair; it includes cleaning, upkeep, preventative maintenance, keeping equipment in effective working condition and ready for daily use, minor repairs, replacing parts, inspecting for needed maintenance, preserving the existing state or condition, preventing a decline in the existing state or condition. Repair means restoring an existing structure or thing to its original condition, as near as may be, after decay, waste, injury, or partial destruction. This is the definition intended in section 298.3(1).

What is commonly called “maintenance” related to technology is not what the definition in law or court cases has meant; instead, districts are actually referring to a license renewal fee; technical assistance support contract; Internet subscriptions, licenses and fees; or cable or satellite services, etc. That is the meaning of maintenance from the laundry list in the Declaratory Order of potential items that fit within the definition of “technology.”

9. Question: Would technology be a qualifying expenditure from SAVE/SILO?

Answer: The law states that SAVE/SILO may be used for any purposes allowed in 298.3 (PPEL). Therefore, if the expenditure is allowable from PPEL and is allowed by the district's revenue purpose statement, it is allowable from SAVE/SILO (statewide sales tax).

10. Question: Which items included in a technology bundle cannot be purchased from PPEL?

Answer: Excluded items would include software that is educational or instructional and professional development of staff that does not train staff in the operation of the computers/technology (Declaratory Order, page 93). Bundling is optional. The reason a district might consider bundling is to meet the \$500 threshold in the PPEL statute. Thus, all items in the bundle must be allowable under PPEL (meaning you can't include non-PPEL-covered items in a bundle being funded by PPEL).

11. Question: Can a district pay for contracted technology services from PPEL?

Answer: Yes, as long as the cost, whether stand alone or part of a bundle, meets the definition of technology in this Declaratory Order, meets the \$500 per unit (stand-alone unit or bundled technology unit, as applicable) cost threshold in PPEL, and is in reality a license renewal fee; a technical assistance support contract; an Internet subscription, license, or fee; or a cable or satellite service.

12. Question: Can a district pay for subsequent or discrete contracted technology services or for extended warranties from PPEL?

Answer: Even if the contracted technology service or the extended warranty is not part of the initial bundled technology purchase, it may still qualify as a technology cost in its own standing if it meets the criteria listed in the answer to question 11.

13. Question: Does the answer to question 11 mean that a district must terminate its employee and then contract the services with an outside provider in order to pay from PPEL?

Answer: Although the Declaratory Order intended to expand purchasing and funding opportunities for districts, the question related to employee salary and benefits was not submitted, and therefore, the Declaratory Order did not contemplate nor deal with this question—it neither specifically included nor excluded employees from providing the technology services to his/her employing district.

There are concerns in terminating an employee such as reduced availability to students and staff members, potential union issues, loss of IPERS, benefits, etc. If a district wishes to pursue this, they would be well-advised to first consult legal counsel.

In addition, the individual would need to meet the IRS requirements for an independent contractor determined through an IRS form SS-8 ruling. It is the Department's understanding that the IRS intends to take a close and careful look at these (high risk) situations due to abuse.

Costs associated with contracted technology services should be expensed, not capitalized unless, of course, the costs meet the capitalization criteria of GASB 51 (intangible assets) and the district's capitalization threshold for entity-wide statements.

14. Question: Software is a supply. Can it be expended from PPEL?

Answer: Even though a supply, software meets the definition of technology in the Declaratory Order. Software can be either a stand-alone technology purchase or part of the bundled cost with the acquisition of a technology unit. On page 93 of the Declaratory Order, the Department stated that the only software not eligible to be purchased from PPEL is software that is educational or instructional.

The costs associated with the software package will be coded as a supply; however, if the costs meet the capitalization criteria of GASB 51 (intangible assets) and the district's capitalization threshold, the costs may be capitalized for the entity-wide statement in the audit.

15. Question: Does the subject of the Declaratory Order and this FAQ apply to electronic tablets as well as laptops?

Answer: Smartphones, electronic tablets, and other personal computing devices are not significantly different than laptops for the purposes of the Declaratory Order or this FAQ. Smartphones and electronic tablets are designed to sync with and be backed upon other electronic devices; transferring files and printing is accomplished by some type of networking system or virtual storage that all devices can access, and additional applications may be necessary to perform functions needed by the district and its students, etc.; therefore, bundling and other discussions would apply.

16. Question: Our district uses a technology system/software to maintain our HVAC system. This purchased service/software monitors our building temperatures and functioning of our systems. Is this a technology cost that we can pay using PPEL funds? Can the HVAC system be considered "technology" so that maintenance is allowable from PPEL?

Answer: The HVAC system itself would be purchased under 298.3(1), paragraphs "b", "f" or "g" but not under paragraph "c." The Declaratory Order does not re-characterize expenditures. HVAC, without regard to cost, would be expended from PPEL under 298.3(1)"b" if a new facility or under 298.3(1)"f" if a replacement or major repair to the HVAC system. The latter expressly states that repair "does not include maintenance."

Maintenance on the HVAC system would be payable from General Fund rather than PPEL; repair of the HVAC system could be expended from PPEL.

The purchase cost of the monitoring technology may be paid from PPEL if it qualifies as technology separate from the HVAC system itself and to the extent it meets the criteria listed in the answer to question 11.

17. Question: What procedures must the district follow to sell/dispose of laptops purchased from PPEL? Where are the proceeds deposited from the sale?

Answer: The district will follow the procedures required by Iowa Code section 297.22. This section requires that proceeds from the sale of personal property be receipted into the General Fund—it does not matter that the original cost was accounted for in the PPEL fund.

18. Question: When does this Declaratory Order go into effect?

Answer: This Declaratory Order was effective on the date it was issued, April 14, 2011, for the fiscal year 2010-2011.

19. Question: May a district change previous entries in its accounting records based on the broader definition of technology in the Declaratory Order?

Answer: Districts may make adjustments to fiscal year 2010-2011, but not to prior periods that are before July 1, 2010. If districts make adjustments for previous transactions on or after July 1, 2010, and within the fiscal year, be sure that the entries are correcting general journal entries (reverse previous entries and enter again correctly) rather than recording them as transfers. Recording the adjustments as transfers improperly results in inflated revenues and inflated expenditures. Please check with Janice Evans (janice.evans@iowa.gov; 515/281-4740) on how to record the adjustments if you are not sure.

20. Question: Is Microsoft Office considered educational software that by Iowa Code must be purchased only from the General Fund?

Answer: If the district has determined that the students need the software to participate in class or to do homework for a class, then it is educational software and consequently not covered by PPEL. (If the district would allow the nonpublic school to use its nonpublic textbook money to purchase the software, then it is educational software. It is the same definition for purposes of Iowa Code.)

21. Question: May a district charge a technology fee to students? Are there limits on fees? Are waivers required? What about deposits? Do deposits have to be returned?

Answer: A technology fee is allowable as a textbook rental fee and would follow the same requirements. Fees must be based on actual costs. If a technology fee is charged to students, the district is saying that the technology is a textbook substitute; in which case the technology can only be purchased from the General Fund and not from PPEL. If a technology fee is charged, the waiver provisions must be honored.

If a deposit is charged to students, it must be a reasonable amount. The district should deposit the check, but hold the deposits in that account and not use the deposits to pay any expenditure, such as repair or maintenance. The amount of the deposit would be returned to the student when the computer/technology is returned to the district; however, the district may reduce the amount of the deposit that it returns to the student by the actual costs of damage inflicted by the student while the computer/technology was in his/her possession (or should have been in his/her possession).

Refundable deposits are not subject to the free/reduced waiver provisions.

If the computer/technology is actually stolen and the theft reported, it is a theft of school property and is handled in the same way the district handles a theft from its computer lab.

The district should have a policy approved by its board on appropriate use, responsibilities, deposits, fees/fines, damage, and theft.

22. Question: What types of specific technology are permissive under PPEL or SAVE/SILO?

Answer: Although the Department appreciates that the list of potential items that might qualify as technology is very long, it believes that the districts can make these determinations locally using the guidance provided in the Declaratory Order and this FAQ. The district administrative team, with or without its auditor, can make this determination by considering the following basic questions provided throughout this FAQ:

Does the cost meet the definition of “technology” within the Declaratory Order? (*See question 11*).

Is the technology a stand-alone unit or does it qualify to be considered a bundled technology unit? (*See questions 1 and 2*).

Is the cost limited to the General Fund by Iowa Code? (*See question 10*.)

Is the cost otherwise excluded from PPEL? (*See question 8*.)

Does the cost meet the \$500 threshold required in PPEL, for the stand-alone technology unit or the bundled technology unit, as appropriate? (*See question 11*.)

Is the cost considered “maintenance” as defined in Iowa Code/court cases, and therefore, disallowed from PPEL? (*See question 8 “B”*.)

Sources of Revenue

Sources of revenue in the PPEL fund include a property tax, income surtax, and interest on the investment of those moneys, and proceeds from loan agreements in anticipation of the collection of the voter-approved property. Proceeds from the condemnation, sale or disposition of real property are revenue to the PPEL fund. Proceeds from loans for equipment pursuant to Iowa Code section 279.48, federal loans for asbestos projects pursuant to Iowa Code section 279.52, or loans for energy conservation projects pursuant to Iowa Code section 473.20 may be accounted for in the PPEL fund. If the school board intends to enter into a rental, lease, or loan agreement, only a property tax shall be levied for those purposes (**IAC 281--98.64(1)**).

The revenue from the regular and voter-approved PPEL levies shall be placed in the PPEL fund (**298.3**). The PPEL/VPPEL levy shall not exceed \$1.67 per thousand dollars of assessed valuation. The regular PPEL shall not exceed 33 cents per thousand dollars of assessed valuation in the district and the voter-approved PPEL shall not exceed \$1.34 per thousand dollars of assessed valuation in the district (**298.2(1)**). Other sources include interest earned on money in the PPEL Fund (**298.3**).

The voter-approved PPEL may consist of a combination of a PPEL property tax levy and a PPEL income surtax (**298.2(1)**). VPPEL shall be funded either by a PPEL property tax, or by a combination of a PPEL property tax and PPEL income surtax [but not entirely from a PPEL income surtax]. However, if the board intends to enter into a rental or lease arrangement under section 279.26, or intends to enter into a loan agreement under section 297.36, only a property tax shall be levied for those purposes (**298.2(4)**).

In order to make immediately available proceeds of the voter-approved PPEL which has been approved by the voters as provided in section 298.2, the board of directors may, with or without notice, borrow money and enter into loan agreements in anticipation of the collection of the tax with a bank, investment banker, trust company, insurance company, or insurance group. The proceeds of a loan must be deposited in the PPEL fund. Payments from this fund must be for purposes authorized for the voter-approved PPEL. The fact that a school corporation may have previously borrowed money and entered into loan agreements under authority of section 297.36 does not prevent the school corporation from borrowing additional money and entering into further loan agreements if the aggregate of the amount payable under all of the loan agreements does not exceed the proceeds of the voter-approved PPEL (**297.36**).

Proceeds from the sale or disposition [but not the rental or lease] of real property shall be placed in the PPEL fund **(297.22(1))**. Moneys received from the condemnation, sale, or other disposition for public purposes of schoolhouses, school sites, or both schoolhouses and school sites, shall be deposited in the PPEL fund and may without a vote of the electorate be used for purposes authorized under section 298.3, as ordered by the board of directors of the school district **(279.41)**.

Debt Service Fund (40)

Purpose and Use

A debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. A school district or AEA shall have only one debt service fund **(IAC--281—98.68)**.

A debt service fund must be established in any school corporation which issues bonds or other authorized indebtedness. The debt service fund shall be used to pay interest as it becomes due and the amount necessary to pay the principal when due on bonds or other authorized indebtedness issued by the district, and to make payments required under a loan, lease-purchase agreement, or other evidence of indebtedness authorized by Code. Moneys available to service this debt and received from other sources shall be transferred to the debt service fund and the payment of the debt shall be made from this fund. Funds remaining in the debt service fund after payment of all outstanding debt in accordance with the original purpose of the indebtedness may be transferred by board resolution to the physical plant and equipment levy fund, or transferred to the general fund in accordance with section 278.1, paragraph “e” **(298A.10)**.

In the case of an AEA, there should not be any balance remaining in a debt service fund because none should have been transferred from the general fund until principal and interest payments were due for payment. If there had been any balance remaining, it would be returned to the general fund immediately following each payment of principal and interest in the fiscal year. Section 278.1”e” does not apply to an AEA.

The board of directors shall expend the amount of the principal and interest due each year to maturity from the same fund into which the loan [or lease-purchase] proceeds were deposited **(279.53)**. These amounts are transferred from the fund into which the loan or lease-purchase proceeds were deposited to the debt service fund when payment is due on the debt. This does not apply to bonded indebtedness. An AEA will deposit all long-term debt proceeds into the general fund and repay all long-term debt obligations from general fund resources that have been transferred to the debt service fund.

School boards shall not incur original indebtedness by the issuance of bonds until authorized by the voters of the school corporation **(274.2)**.

Bonds shall mature within a period not exceeding twenty [20] years from date of issue, shall bear interest at a rate or rates not exceeding that permitted by chapter 74A, and shall be of such form as the board of directors shall by resolution provide, but the aggregate indebtedness of any school district shall not exceed five percent [5%] of the actual value of the taxable property within the district, as ascertained by the last preceding state and county tax lists **(296.1)**.

The debt service fund contains only the current portion of the bonding program. Current assets include cash and temporary investments. Current liabilities include bonds due but unpaid and other unpaid debt service obligations. Amounts representing future bond maturities are shown in the governmental long-term liabilities/debt summary account.

Types of Expenditures

Expenditures from the debt service fund include the payment of principal and interest of the lawful bonded indebtedness maturing in the current year. An issuer of public bonds or obligations may provide for the payment of the costs of registration of its public bonds or obligations by the levy of additional taxes for the payment from the fund for the payment of the principal and interest of general obligation [GO] bonds or from any revenue source from which the principal and interest of the public bonds or obligations are payable **(76.10(6))**. The school board may pay in addition to the amount required to pay interest due on lawful bonded indebtedness such amount as it may deem necessary to apply on the principal **(298.18)**. Expenditures also include the principal and interest payment on other indebtedness from resources transferred for that purpose from other funds.

Appropriate expenditures in the debt service fund include the following:

- a. Payment of principal and interest of the lawful bonded indebtedness maturing in the current year as it becomes due. In determining how much is necessary to service bonds that mature in the current year, the

- board of directors shall consider the amount of earnings from temporary investments of debt service funds and beginning cash balances.
- b. Payment of costs of registration of public bonds or obligations.
 - c. Payment of additional amounts as the board deems necessary to apply on the principal.
 - d. Payment of principal and interest when due that are required under a loan agreement, lease-purchase agreement, or other evidence of indebtedness authorized by the Iowa Code other than bonded indebtedness paid from resources transferred for that purpose to the debt service fund from other funds.
 - e. Payment of transfers to the PPEL fund by board resolution when funds remain in the debt service fund after payment of the entire balance of outstanding debt in accordance with the original purpose of the bonded indebtedness and after return of any excess amount transferred into the debt service fund from another fund or other indebtedness. The voters in the district may authorize the district to transfer the remaining balance to the general fund instead of the PPEL fund pursuant to Iowa Code subsection 278.1(1) "e" (**IAC 281--98.68(2)**).

Inappropriate expenditures in the debt service fund include payment of debt issued by one fund from resources transferred from a different fund unless expressly authorized by the Iowa Code and any other expenditure not listed in subrule 98.68(2) (**IAC 281--98.68(3)**).

Types of Transfers

The electorate, by vote, may direct the school board of directors to transfer any surplus funds in the debt service fund, PPEL fund, capital projects funds, or PERL fund to the general fund [but not the reverse] (**278.1"e"**). This does not apply to an AEA.

Any governmental fund authorized to incur long-term indebtedness and to make payments required under that loan, lease-purchase agreement, or other evidence of indebtedness authorized by Code, must transfer the amount of money necessary to pay principal and interest when due to the debt service fund to be accounted for there. Any balance remaining in the debt service fund after payment of all outstanding debt in accordance with the original purpose of the indebtedness may be transferred, by board resolution, to the physical plant and equipment levy fund; or transferred to the general fund in accordance with section 278.1, paragraph "e" (**298A.10**).

In the case of an AEA, there should not be any balance remaining in a debt service fund because none should have been transferred from the general fund until principal and interest were due for payment. If there had been any balance remaining, it would be returned to the general fund immediately following each payment of principal and interest in the fiscal year. Section 278.1"e" does not apply to an AEA.

Sources of Revenue

Revenues include the levy on taxable property necessary to service the current year's bonds maturing and include earnings from temporary investments of debt service funds. The levy authorization is established by the voters under the provisions of 298.21. In determining how much is necessary to service the current year's bonds maturing, the board of directors shall consider the amount of earnings from temporary investments of debt service funds and consider beginning fund balance. The amount estimated and certified to apply on principal and interest for any one year shall not exceed two dollars and seventy cents [\$2.70] per thousand dollars of the assessed valuation of taxable property except as follows. The amount estimated and certified may exceed two dollars and seventy cents [\$2.70] by the amount approved by the voters of the district, but not exceeding four dollars and five cents [\$4.05] per thousand of the assessed valuation of the taxable property within the school corporation, provided that the registered voters have first approved such increased amount at an election (**298.18**).

Revenues also include transfers from other funds for principal and interest due on authorized indebtedness authorized by Code in those funds (**298A.10**). The board of directors shall expend the amount of the principal and interest due each year to maturity from the same fund into which the loan [or lease-purchase] proceeds were deposited (**279.53**). These amounts are transferred from the fund into which the loan or lease-purchase proceeds were deposited to the debt service fund when payment is due on the debt. This does not apply to bonded indebtedness. An AEA will deposit all long-term debt proceeds into the general fund and repay all long-term debt obligations from general fund resources that have been transferred to the debt service fund.

The primary source of revenue in the debt service fund for an AEA is a transfer from General Fund when principal and interest is due on a lease-purchase of a capital project.

Sources of revenue in the debt service fund include the levy on taxable property authorized by the voters pursuant to

Iowa Code section 298.21 and necessary to service bonds that mature in the current year, transfers from other funds for payments of interest and principal when due that are required under a loan, lease-purchase agreement, or other evidence of indebtedness authorized by the Iowa Code, and earnings from temporary investment of moneys in the debt service fund (**IAC 281--98.68(1)**).

Permanent Funds (50-59)

Purpose and Use

Permanent funds are used to account for resources received that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the school district's programs. The school district or area education agency shall not transfer its own resources to a permanent fund. The board of directors of the school district must take action to accept or establish each gift, devise, or bequest in permanent funds. It is the board's responsibility to ensure that the terms of the gift, devise, or bequest are compatible with the mission of and legal restrictions on the school district. Once accepted, gifts, devises, and bequests become public funding under the stewardship of the school district. If the purpose for which the moneys are to be spent is not in keeping with the overall objectives of the school district or AEA or legal authority of the school district or AEA, the board shall not assume responsibility of the moneys (**IAC 281—98.67(2)**).

A board must determine that the terms of the gift, devise, or bequest are not inconsistent with the objectives of a public school district/AEA, may be accepted by the board, and the board may exercise such powers with reference to the gift, devise, or bequest. The board of directors must take action to accept or establish trust funds [permanent funds]. It is the board's responsibility to insure that the funds will be used for purposes that are compatible with the mission of and restrictions on the district or AEA. Once accepted, it is the responsibility of the board to insure that the fiduciary relationship is carried out according to the terms of the agreement. If the purpose for which the money is to be spent is not in keeping with the overall objectives of the school district or AEA, the board shall not assume responsibility as a trustee for the fund. Gifts of cash or other assets shall not be accepted if the board cannot legally meet, justify, or agree to the prescribed conditions.

Upon their acceptance, gifts and bequests of money become public funding under the stewardship of the recipient. A court would likely void any transfer of public funds to a nonprofit organization (**OAG #00-8-2(L)**).

Trust funds [permanent funds] shall be established by any school corporation to account for gifts it receives to be used for a particular purpose or to account for money and property received and administered by the district as trustee or custodian. Boards may establish trust funds [permanent funds] as necessary (**298A.13**).

School corporations are authorized to take and hold property, real and personal, by gift and bequest and to administer the property through the proper officer in pursuance of the terms of the gift or bequest. Title shall not pass unless accepted by the governing board of the school corporation. Conditions attached to the gifts or bequests become binding upon the school corporation upon acceptance (**565.6**).

The board of directors of a school district which receives funds through gifts, devises, and bequests shall deposit these funds in a trust fund and use them in accordance with the terms of the gift, devise, or bequest (**279.42**). This would also apply to an AEA.

Types of Expenditure

The characteristics of the expenditures from a Permanent [Trust] Fund depend on the nature of the donor's conditions or the responsibilities of the trustee. All expenditures will be for the benefit of the district's programs.

Appropriate expenditures in the permanent funds include those that are consistent with the terms of the agreement, are legal expenditures to a school district/AEA, and are for the benefit of the school district/AEA (**IAC 281--98.67(2)**).

Inappropriate expenditures in the permanent funds include transfers to nonprofit or private organizations, expenditure from principal, or any expenditure which is not consistent with the terms of the agreement, or legal to a school district/AEA, or for the benefit of the school district/AEA, or any expenditure from the principal portion (**IAC 281--98.67(3)**).

Sources of Revenue

Sources of revenue in the permanent funds include donations of cash, investment instruments, property, and interest on investments held. In permanent funds, only interest is available to benefit the school district's or AEA's programs (**IAC 281--98.67(1)**).

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for any activity for which a fee is charged to external users for good and services. Enterprise funds are required to be used to account for any activity whose principal revenue sources meet any of the following criteria:

- Legal requirement to recover costs through fees and charges, or
- Policy decision of the governing board of management to recover the costs of providing services through fees and charges.

School Nutrition Fund (61)

Purpose and Use

A school nutrition fund is an enterprise fund. A school nutrition fund must be established in any school corporation receiving moneys from the school meal program authorized under chapter 283A (**298A.11**).

All school districts shall operate or provide for the operation of lunch programs at all attendance centers in the school district. A school district may operate or provide for the operation of school breakfast programs at all attendance centers in the district, or provide access to a school breakfast program at an alternative site to students who wish to participate in a school breakfast program (**IAC 281—98.73**).

A school district shall operate or provide for the operation of lunch programs at all attendance centers in the district. A school district may operate or provide for the operation of school breakfast programs at all attendance centers in the district, or provide access to a school breakfast program at an alternative site to students who wish to participate in a school breakfast program. The programs shall provide students with nutritionally adequate meals and shall be operated in compliance with the rules of the state board of education and pertinent federal law and regulation. The school lunch program shall be provided for all students in each district who attend public school four or more hours each school day and wish to participate in a school lunch program. School districts may provide school breakfast and lunch programs for other students (**283A.2(2)**).

Federal regulations require that the department of education annually review the operating balance of school lunch funds. If the operating balance exceeds three month's normal operating cost, schools are to establish and implement a plan of action to reduce the balance. Suggested methods might include:

1. Lower the student lunch price.
2. Start a breakfast program or expand an existing breakfast program.
3. Improve food quality and/or quantity.

A school which in good faith donates food to a charitable or nonprofit organization for ultimate free distribution to needy individuals is not subject to criminal or civil liability arising from the condition of the food if the donor reasonably inspects the food at the time of the donation and finds the food fit for human consumption. The immunity provided by this subsection does not extend to a donor if damages result from the negligence, recklessness, or intentional misconduct of the donor, or if the donor has, or should have had, actual or constructive knowledge that the food is tainted, contaminated, or harmful to the health or well-being of the ultimate recipient (**672.1(2)**).

Types of Expenditures

Appropriate expenditures in the school nutrition fund include the following:

- a. Expenditures necessary to operate a school breakfast or lunch program such as salaries and benefits for employees necessary to operate the food service program, food, purchased services, supplies, and school nutrition equipment not included in Iowa Code section 283A.9.
- b. Costs to provide food service for school staff and ancillary food services to staff meetings and authorized organizations for meetings on the premises in accordance with the rules of the board of directors of the school district if those costs are reimbursed by another fund, organization, or individual (**IAC 281--98.73(2)**).

Inappropriate expenditures in the school nutrition fund include the following:

- a. Costs to provide food service for school staff and ancillary food services to staff meetings and authorized organizations for meetings on the premises at less than actual costs involved in providing the services including the value of donated government commodities.
- b. Operating transfers to any other fund.
- c. Costs to purchase, construct, reconstruct, repair, remodel, or otherwise acquire or equip a building for use as a school meal facility. These costs are permitted from the PPEL fund.
- d. Costs estimated or allocated that are expenditures of the district (**IAC 281--98.73(3)**).

The acquisition of school meal facilities and equipping may be paid from the PPEL fund, subject to the terms of section 298.2 (**283A.9**).

Boards may authorize the use by senior citizen organizations of school meal facilities subject to reasonable rules and regulations of the board. Such use shall not interfere with the use of the facilities for public school purposes. The board may charge for such use an amount not to exceed the cost to the district (**283A.8**).

As a practical matter, food service is also available to school staff and may provide ancillary food services to staff meetings and authorized organizations for meetings on the premises in accordance with the rules of the board. The charges for such services must be no less than the actual costs involved in providing the services including the value of donated government commodities.

The Code does not allow school districts to provide school lunches without charge to staff members, except where staff members are on lunchroom supervisory duty or pursuant to contract (**OAG #82-2-6(L)**).

Operating transfers shall not be made from the school nutrition fund to any other fund.

Sources of Revenue

Sources of revenue in the school nutrition fund include food sales to pupils and adults, ancillary food services, state and federal grants in aid for the operation of a nutrition program, gifts, sales of services to other funds, donated government commodities, and interest on investment of school nutrition fund moneys. Also included are fees charged for providing food services to staff meetings and authorized organizations for meetings on the premises in accordance with the rules of the board. The charges for such services must be no less than the actual costs involved in providing the services including the value of donated government commodities (**IAC 281--98.73(1)**).

School boards may use gifts, funds disbursed to them under the provisions of chapter 283A, revenues received from sale of school breakfasts or lunches, and any other funds legally available for the purpose of operating a school breakfast or lunch program (**283A.2(1)**).

To define the term "any other funds legally available" used in section 283A.2 in reference to funds available to provide a school lunch program, the following is provided: in order that property tax funds could be used to pay for any part of the school lunch program an express statutory authority could be required for such use (**OAG #65-6-30**).

Child Care & Before and After School Program Fund (62)

Purpose and Uses

A child care fund is an enterprise fund. A child care fund must be established in any school corporation receiving moneys from the child care program authorized under section 279.49 (**298A.12**).

The board of directors of a school district may operate or contract for the operation of a program to provide child care to children not enrolled in school or to students enrolled in kindergarten through grade 6 before and after school, or to both (**IAC 281—98.74**).

The board of directors of a school corporation may operate or contract for the operation of a program to provide child care to children not enrolled in school or to students enrolled in kindergarten through grade six before and after school, or to both. Programs operated or contracted by a board shall either meet standards for child care programs adopted by the state board of education or shall be licensed by the DHS under chapter 237A as a child care center. A program operated by a board under contract which is not located on property owned or leased by the board must be licensed by DHS (**279.49(2)**). The facilities housing a program operated under section 279.49 shall comply with standards adopted by the state fire marshal for school buildings under chapter 100. In addition, if a program involves children who are

younger than school age, the facilities housing those children shall meet the fire safety standards which would apply to that age of child in a child care facility licensed by DHS **(279.49(4))**. The person employed to be responsible for a program operated or contracted by a board that is not licensed by DHS shall be an appropriately licensed teacher under chapter 272 or shall meet other standards adopted by the state board of education **(279.49(3))**.

The components of programs established under 279.49 for child care shall include, but are not limited to, parental involvement in program design and direction, activities designed to further children's physical, mental, and emotional development, and a parental education component to educate parents about the physical, mental, and emotional development of children **(279.49(7))**.

Types of Expenditures

Appropriate expenditures in the child care fund include salaries and benefits for employees necessary to operate the child care program or before- and after-school program, purchased services, supplies, and equipment **(IAC 281--98.74(2))**.

Inappropriate expenditures in the child care fund include debt service, capital outlay related to facilities, or any other expenditure not ordinary and necessary to operate the child care program or before- and after-school program **(IAC 281--98.74(3))**.

Sources of Revenue

Sources of revenue in the child care fund include a fee established by the board for the cost of participation in the program. The fee shall be established pursuant to a sliding fee schedule based upon staffing costs and other expenses and a family's ability to pay. If a fee is established, the parent or guardian of a child participating in a program shall be responsible for payment of any agreed-upon fee. The board may require the parent or guardian to furnish transportation of the child. If the board does not establish a fee, it must finance the program through grants or donations. The board may utilize or make application for program subsidies from any existing child care funding streams **(IAC 281--98.74(1))**.

The board may establish a fee for the cost of participation in a child care [and before & after school program] authorized under section 279.49. The fee shall be established pursuant to a sliding fee schedule based upon staffing costs and other expenses and a family's ability to pay. If a fee is established, the parent or guardian of a child participating in a program shall be responsible for payment of any agreed upon fee. The board may require the parent or guardian to furnish transportation of the child **(279.49(5))**.

If the board does not establish a fee, it must finance the program through grants or donations or other allowable sources. The board may utilize or make application for program subsidies from any existing child care funding streams **(279.49(6))**. No other fund may be used to subsidize the day care program unless such use is authorized by Code from that fund.

The child development coordinating council, subject to the availability of funds appropriated or otherwise available for the purpose of providing child development services, shall award grants for programs that provide new or additional child development services to at-risk children **(256A.3(5))**. Program grants funded under this subsection may integrate children not meeting at-risk criteria into the program and shall establish a fee for participation in the program in the manner provided in section 279.49, but grant funds shall not be used to pay the costs of those [non at-risk] children **(256A.3(5)"b")**.

The board of each school district may develop and offer a program which provides outreach and incentives for the voluntary participation of expectant parents and parents of children in the period of life from birth through age 5, who reside within district boundaries, in educational family support experiences designed to assist parents in learning about the physical, mental, and emotional development of their children. A board may contract with another school district or public or private nonprofit agency for provision of the approved program or program site **(256A.4(1))**. A district may receive moneys from state and federal sources, and may solicit funds from private sources. The district shall maintain a separate account [fund] within the district for moneys allocated for family support programs **(256A.4(4))**.

Regular Education Preschool (63)

Purpose and Uses

The board of directors of a school district may establish a preschool for students who are not of school age **(IAC 281—**

98.75). The portion of the preschool program that is comprised of the statewide voluntary four-year-old preschool is accounted for in the general fund. The preschool program for students with instructional IEPs is accounted for in the general fund. All other regular education preschool programs are accounted for in an enterprise fund, called the regular education preschool fund.

The board may establish a preschool for students who are not of school age, generally 3 and 4 year olds without IEPs. The board may establish a fee for the cost of participation based on costs. If a fee is established, the parent or guardian of a child participating in a program shall be responsible for payment of any agreed upon fee. If the board does not establish a fee, it must finance the program through grants or donations or other allowable sources.

Types of Expenditures

Appropriate expenditures in the regular education preschool fund include salaries and benefits for employees necessary to operate the regular education preschool program, purchased services, instructional supplies, and instructional equipment (**IAC 281--98.75(2)**).

Inappropriate expenditures in the regular education preschool fund include debt service, capital outlay related to facilities, or any other expenditure not ordinary and necessary to operate the regular education preschool program (**IAC 281--98.75(3)**).

Sources of Revenue

Sources of revenue in the regular education preschool fund include a fee established by the board for the cost of participation in the program. If a fee is established, the parent or guardian of a child participating in a program shall be responsible for payment of any agreed-upon fee. If the board does not establish a fee, it must finance the program through grants or donations. The statewide voluntary four-year-old preschool program established under Iowa Code chapter 256C shall not be accounted for in the regular education preschool fund (**IAC 281--98.75(1)**).

Student Construction (64)

Purpose and Uses

281—98.76(298A) Student construction fund. If the board of directors of a school district establishes a construction program whereby students learn a construction trade and the facility constructed is sold to cover costs of construction, the revenues and expenses will be accounted for in the student construction fund.

The provisions of section 297.22, subsections 1 and 2, related to the sale, lease, or disposition of school district property do not apply to student-constructed buildings and the property on which student-constructed buildings are located. The board of directors of a school district may sell, lease, or dispose of a student-constructed building and the property on which the student-constructed building is located, and may purchase sites for the erection of additional student-constructed structures, by any procedure which is adopted by the board (**297.22(3)**).

Guidance from the Iowa State Auditor's Office, July 2008:

Due to the number of questions regarding student construction program issues, our Office [State Auditor's Office] consulted with the Iowa Department of Education to address the following issues. We are not attorneys and this guidance should not be considered to be legal advice.

What fund should Districts use to account for a student construction program?

A student construction program is best accounted for in an Enterprise Fund – fund 64 per DE chart of accounts. Preferably, Districts using General Fund money (as discussed below) for allowable start-up costs of the educational program or to subsidize the program should transfer from the General Fund to the Enterprise Fund, as needed to pay specific invoices.

To maintain proper accountability and control, and to avoid misstatement of the General Fund unspent balance, Districts should not transfer a lump-sum from the General Fund to the Enterprise Fund.

How can Districts finance the materials and supplies needed for construction?

Districts can borrow from any fund with funds available to loan, including the General, PPEL or SILO [now LOSST/SAVE] funds. Loans, including terms (interest, if any, and repayment timeline) should be approved by the Board of Education and documented in the Board minutes.

Do Districts have to repay the loan by June 30 (year-end) or can the District's record an interfund receivable/payable at year-end?

The Department of Education issued a revised Declaratory Order, dated June 16, 2008, and further revised October 2009 available on the Department of Education's web site at:

<http://www.iowa.gov/educate/images/stories/appeals/book25decision183.pdf>

According to the Order, there are four requirements which Districts must comply with to issue loans between funds. Requirement number 4 (on page 3 of the Order) requires the loan to be repaid before October 1st of the fiscal year following the fiscal year within which the loan occurred.

So, if a District executes a loan agreement, as described in the Order and is unable to repay the loan by the following October 1st, the District would need to proceed under Chapter 74 of the Code of Iowa to issue anticipatory warrants or proceed with one of the other remedies described in the Order. Loans outstanding at fiscal year-end would be recorded on the balance sheet as an interfund loan receivable or an interfund loan payable. Interfund operating transfers would not be used for this transaction.

Can Districts expend PPEL and/or SILO [LOSST/SAVE] dollars for student construction, rather than "loan" these funds to the Enterprise Fund, Student Construction account?

No. PPEL and/or SILO [LOSST/SAVE] dollars must be used for school infrastructure purposes. Since the student construction (building; shed, improvement etc.) is typically sold rather than retained and used by the District, the student construction would not meet the statutory criteria to be classified as a "school building." If students constructed a building or shed for the school district, retained by and used by the school district, PPEL and/or SILO dollars could be expended by the District for this purpose.

What costs, if any, can be paid from the General Fund?

Districts may pay the instructor's salary and benefits from the General Fund as well as other ancillary costs including insurance; materials and supplies; freight or transportation costs and purchase of land. Instructor salary and benefits should be paid directly from the General Fund unless the instructor's contract clearly identifies a specific dollar amount (or percentage) attributable to the student construction program. Other costs associated with the student construction program may be reimbursed to the Enterprise Fund or paid directly from the General Fund, if incidental. Since financing arrangements for student construction programs can vary among Districts, individual Districts should determine whether they wish to measure the profitability of the student construction program by using an Enterprise Fund for all costs.

Are there any statutory requirements pertaining to the disposition of student-constructed buildings?

Chapter 297.22(3) of the Code of Iowa, states: "The provisions in subsections 1 and 2 relating to the sale, lease, or disposition of school district property do not apply to student-constructed buildings and the property on which student-constructed buildings are located. The board of directors of a school district may sell, lease, or dispose of a student-constructed building and the property on which the student-constructed building is located, and may purchase sites for the erection of additional [student-constructed] structures, by any procedure which is adopted by the board."

The Board's approval of the procedures should be documented and included in the published Board minutes. If Districts do not already have a policy relating to the disposition of student constructed buildings/property, the Board of Directors should address this through Board policy.

Does 297.22(3) allow outright purchase of sites (not loans) from General; PPEL and/or SILO [now LOSST/SAVE]?

Yes, from the General Fund since this would be part of the District's educational program. Otherwise, this would not be an appropriate General Fund expenditure. The funds would be transferred from the General Fund to the Enterprise Fund for the purchase. As previously noted, PPEL and/or SILO [now LOSST/SAVE] dollars may not be expended for student construction. However, PPEL and SILO [now LOSST/SAVE] would be appropriate funds for purchases of land and construction other than student construction.

What is the best way to "sell" student-constructed buildings?

Typically, students complete the construction and the District advertises and offers the building on a competitive bid basis, publicly invited and opened. Districts could also build to specifications of a predetermined buyer provided the District does not use public funds to "subsidize" the cost of the construction. In this case, the District should have a written agreement with the buyer, and the buyer must cover all costs needed for the construction including costs, if any, to transport the materials and supplies to the building site. The written agreement with the buyer should include provisions to ensure the buyer remains responsible for increases in cost; change orders; etc.

A School Foundation has requested a District to consider adopting/adding a program to construct student built houses with the house sale proceeds donated to the Foundation to provide funding for student scholarships. The Foundation has asked the District to provide the funds to purchase the lot, materials, supplies and any contracted services that may need to be purchased and pay the insurance coverage. The students would supply the labor, as part of a high school curriculum program for high school credit. The instructor's salary and benefits would be paid from the General Fund. Article III, Section 31 of the Constitution of the State of Iowa requires public funds be spent for the public benefit. Districts cannot divert public funds to a Foundation for scholarships or other purposes. Since the District is funding the program, providing the insurance coverage and providing the financial support, the proceeds from the sale of the building are public funds and may not be given to a private, non-profit organization such as a Foundation. Districts wishing to pursue this or involved in this type of arrangement should consult with District legal counsel.

Enterprise Funds 65-67 are used for community service enterprises. These are activities provided by the district for a fee to the general community or segment of the community that are not required to be free or required to be accounted for in the PERL or Library Funds. Examples are public libraries, community pool, community wellness center, community or adult education.

Enterprise Funds 68-69 are used for enterprises that support the school program. Examples would be a student farm, greenhouse, COOP purchasing, school stores, or major resale activities.

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods and services. Enterprise funds are required to be used to account for any activity whose principal revenue sources are fees and charges to recover the costs of providing goods or services where those fees and charges are permitted by the Iowa Code. Funds discussed in rules 281—98.73(283A,298A) through 281—98.76(298A) are enterprise funds. In addition, enterprise funds include those activities related to community service enterprises or enterprises that support the school curricular program. Community service enterprises are activities provided by the district for a fee to the general community or segment of the community that are not in the PERL or library funds such as public libraries, community pool, community wellness center, and community or adult education. Enterprises that support the school program include activities such as a student farm, greenhouse, cooperative purchasing, school stores, or major resale activities (**IAC 281—98.77**).

Internal Service Funds (70-79)

Internal service funds are used to account for the financing of services provided within the district to provide goods or services to other funds, component units, or other governments on a cost-reimbursement basis. The use of an internal service fund is appropriate only for activities in which the agency, school district or area education agency is the predominant participant in the activity. If the district or area education agency is not the primary user of the goods or services provided by the internal service fund, then the activity should be accounted for in an enterprise fund rather than an internal service fund. Internal service funds include, but are not limited to, self-insurance funds, flex-benefit (cafeteria) plan funds, print shops, health reimbursement arrangements (HRAs), central warehousing and purchasing, and central data processing (**IAC 281—98.82**).

Self-Insurance Fund (71)

Flex-Benefits (Cafeteria) Plan Fund (72)

Print Shop Fund (73)

Health Reimbursement Arrangements (HRAs) Fund (74)

Fiduciary Funds

Trust or agency funds shall be established by any school corporation to account for gifts it receives to be used for a particular purpose or to account for money and property received and administered by the district as trustee or custodian or in the capacity of an agent. Boards may establish trust and agency funds as necessary (**298A.13**).

A school district or AEA which acts as the fiscal agent for a grant will use an agency fund, if not appropriate to the general fund, to account for the grant received on behalf of the other members of the consortium rather than a trust fund.

A board must determine that the terms of the gift, devise, or bequest are not inconsistent with the objectives of a public school district/AEA, may be accepted by the board, and the board may exercise such powers with reference to the gift, devise, or bequest. The board of directors must take action to accept or establish trust or agency funds. It is the board's responsibility to insure that the funds will be used for purposes that are compatible with the mission of and restrictions on the district/AEA. Once accepted, it is the responsibility of the board to insure that the fiduciary relationship is carried out according to the terms of the agreement. If the purpose for which the money is to be spent is not in keeping with the overall objectives of the school district/AEA, the board shall not assume responsibility as a trustee, custodian or agent for the fund. Gifts of cash or other assets shall not be accepted if the board cannot legally meet, justify, or agree to the prescribed conditions.

Upon their acceptance, gifts and bequests of money become public funding under the stewardship of the recipient. A court would likely void any transfer of public funds to a nonprofit organization (**OAG #00-8-2(L)**).

Trust or agency funds shall be established by any school corporation to account for gifts it receives to be used for a particular purpose or to account for money and property received and administered by the district as trustee or custodian or in the capacity of an agent. Boards may establish trust and agency funds as necessary (**298A.13**).

School corporations are authorized to take and hold property, real and personal, by gift and bequest and to administer the property through the proper officer in pursuance of the terms of the gift or bequest. Title shall not pass unless accepted by the governing board of the corporation. Conditions attached to the gifts or bequests become binding upon the corporation upon acceptance (**565.6**).

The board of directors of a school district/AEA which receives funds through gifts, devises, and bequests shall deposit these funds in a trust or an agency fund [as appropriate] and use them in accordance with the terms of the gift, devise, or bequest (**279.42**).

Trust Funds (80-89)

These funds account for assets held by a school district in a trustee capacity for others (e.g., members and beneficiaries of pension plans and other postemployment benefit [OPEB] plans, external investment pools, or private-purpose trust arrangements) and that therefore cannot be used to support the school district's own programs. Trust funds are generally accounted for using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment health care plans; refer to GASB Statements 26, 27, 43, and 45 for guidance on the recognition of these liabilities). These Trust Funds will include both those that allow use of only the interest on the investments and those that allow use of both principal and interest. Trust funds include pension trust funds (including OPEB plans), investment trust funds, and private-purpose trust funds.

Purpose and Use

The Trust Fund is used to account for moneys received in trust where those moneys, both principal and interest, or just interest, are held for others and therefore cannot be used to benefit the district.

Trust funds are fiduciary funds established to account for gifts the school district/AEA receives to be used for a particular purpose or to account for moneys and property received and administered by the school district/AEA as trustee. These trust funds are used to account for assets held by a school district/AEA in a trustee capacity to benefit individuals, private organizations, or other governments, and cannot be used to support the school district's or AEA's own programs. These trust funds include both those that allow use of only the interest on the investments and those that allow use of both principal and interest. The school district or area education agency shall not transfer its own resources to a trust fund. Other trust funds may include but not be limited to pension trust funds and investment trust funds. Pension trust funds are used to account for resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other benefit plans. Typically, these pension trust funds are used to account for local pension and other employee benefit funds that are provided by a school district/AEA in lieu of or in addition to any state retirement system. Investment trust funds are used to account for the external portion (i.e., the portion that does not belong to the school district/AEA) of investment pools operated by the school district/AEA (**IAC 281—98.93**).

Types of Expenditure

The characteristics of the expenditures from a Trust Fund depend on the nature of the donor's conditions or the responsibilities of the trustee. None of the expenditures will be for the benefit of the district's programs.

Sources of Revenue

Sources of revenue include donations of cash, investment instruments, property, and interest on investments held.

Private-Purpose Trust Funds (81-84)

Purpose and Use

Private purpose trust funds are fiduciary funds established to account for gifts the school district/AEA receives to be used for a particular purpose or to account for moneys and property received and administered by the school district/AEA as trustee. These trust funds are not irrevocable trusts and are used to account for assets held by a school district/AEA in a trustee capacity to benefit individuals, private organizations, or other governments, and therefore cannot be used to support the school district's or AEA's own programs. These trust funds include both those that allow use of only the interest on the investments and those that allow use of both principal and interest. Scholarship trust funds are an example of private purpose trust funds. If a school district has more than one scholarship trust, the school district shall use project codes in accordance with Uniform Financial Accounting for Iowa School Districts and Area Education Agencies to separately account for the trusts. The district or area education agency shall not transfer its own resources to a private purpose trust fund (**IAC 281—98.9**).

Types of Expenditure

Appropriate expenditures in the private purpose trust fund include those that are consistent with the terms of the agreement or are for the benefit of a private purpose other than the school district/AEA. None of the expenditures will be for the benefit of the school district's or AEA's own programs (**IAC 281--98.92(2)**).

Inappropriate expenditures in the private purpose trust fund include any expenditure which is not consistent with the terms of the agreement, not legal to a school district, or that benefits the school district's programs (**IAC 281--98.92(3)**).

Sources of Revenue

Sources of revenue in the private purpose trust fund include donations of cash, investment instruments, property, and interest on investments held (**IAC 281--98.92(1)**).

Scholarship Trust Funds (81)

Scholarship Trust Funds are Private-Purpose Trust Funds. If a district has more than one Scholarship Trust, it will use project codes to separately account for the trusts.

Pension Trust Funds (85-86)

These funds are used to account for resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other benefit plans. Typically, these funds are used to account for local pension and other employee benefit funds that are provided by a school district/AEA in lieu of or in addition to any state retirement system. Des Moines Independent School District is the only district with a Pension Trust Fund.

Investment Trust Funds (87-89)

These funds are used to account for the external portion (i.e., the portion that does not belong to the school district/AEA) of investment pools operated by the school district/AEA.

Agency Funds (90-99)

Purpose and Use

Agency funds are used to account for funds that are held in a custodial capacity by the school district/AEA for individuals, private organizations, or other governments. Agency funds may include moneys collected for another government, a grant consortium when the school district/AEA serves as fiscal agent for the other school districts or AEAs but has no managerial responsibilities, or funds for a teacher or a parent-teacher organization which has its own federal identification number (FIN). In an agency fund, the school district or AEA merely renders a service as a custodian of the assets for the organization owning the assets and the school district or AEA is not an owner. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners (**IAC 281—98.101**).

Moneys owned by the school district/AEA would not be accounted for in agency funds.

Types of Disbursements

Appropriate disbursements from an agency fund depend on the nature of the rightful owners' conditions or the responsibilities of the custodian. Typically, disbursement will involve remittance of assets to their rightful owners or to a third party on behalf and at the request of the rightful owners. The school district cannot disburse more funds at any point in time than it has received from the rightful owner (**IAC 281--98.101(2)**).

Inappropriate disbursements from agency funds include any disbursement which is not consistent with the terms of the agreement, not legal to a school district, or that exceeds the amount of funds that have been received from the rightful owner or on behalf of the rightful owner (**IAC 281--98.101(3)**).

Sources of Receipts

Sources of receipts in the agency funds include temporary receipts of cash, investment instruments, property, and interest on investments held (**IAC 281--98.101(1)**).